

United Development Company Q.P.S.C.

**Consolidated financial statements
As at and for the year ended 31 December 2021**

United Development Company Q.P.S.C.

Consolidated financial statements as at and for the year ended 31 December 2021

Contents	Page
Independent auditor's report	1 – 5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 – 48



KPMG
Zone 25 C Ring Road
Street 230, Building 246
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4436 7411
Website: home.kpmg/qa

Independent auditors' report

To the Shareholders of United Development Company Q.P.S.C

Opinion

We have audited the 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 2021, the consolidated statements of profit or loss and other comprehensive income, 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 2021, 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 *Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the Company's consolidated financial statements in the 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.



Independent auditors' report (Continued)

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 period. 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

See [Note 2,4 and 10](#) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>We focused on this area because of the following reasons:</p> <ul style="list-style-type: none"> ▪ 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 2021 (2020: 49%). ▪ Valuation of investment properties involves the use of significant judgements and estimates. 	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> ▪ Evaluating the external valuer's competence, capabilities and objectivity; ▪ Inspecting the valuation reports and assessing whether any matters identified in them have a potential impact on the amounts recorded and /or the disclosures in the consolidated financial statements; ▪ 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: <ul style="list-style-type: none"> - 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 and cashflows used in the valuation. ▪ Evaluating the adequacy of the financial statement disclosures including disclosures of key assumptions and judgments.



Independent auditors' report (Continued)

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after that date.

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.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 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.

Auditors' 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 auditors' 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.



Independent auditors' report (Continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the Board of Directors' 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 auditors' 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 auditors' 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, actions taken to eliminate threats or safeguards applied.



Independent auditors' report (Continued)

Auditors' 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 period and are therefore the key audit matters. We describe these matters in our auditors' 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

As required by the Qatar Commercial Companies Law No. 11 of 2015 and its related amendments, we also report that:

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- ii) The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith.
- iii) We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Company.
- iv) Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles.
- v) We are not aware of any violations of the applicable provisions 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 effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2021.

2 February 2022
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251

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United Development Company Q.P.S.C.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 QR'000	2020 QR'000
Revenue	37	2,038,427	1,175,692
Cost of revenue		(1,397,216)	(555,624)
Gross profit		641,211	620,068
Dividend income		984	1,128
Other operating income	6	82,842	68,433
Fair value loss on investment securities	14	(1,964)	(10,890)
Provision for impairment on trade receivables	17	(8,446)	(63,579)
General and administrative expenses	7	(307,978)	(305,173)
Sales and marketing expenses		(14,659)	(9,045)
Operating profit		391,990	300,942
Fair value gain on investment properties	10	15,471	43,563
Finance income		71,580	39,212
Finance costs		(118,824)	(115,494)
Net finance costs		(47,244)	(76,282)
Net share of results of associate	13	1,121	5,865
Profit before tax		361,338	274,088
Income tax	30	(5,724)	(9,164)
Net profit for the year		355,614	264,924
Net profit for the year attributable to:			
Equity holders of the Parent		325,808	226,055
Non-controlling interests		29,806	38,869
		355,614	264,924
Earnings per share attributable to equity holders of the Parent:			
Basic and diluted earnings per share (QR)	8	0.092	0.064
Other comprehensive income		-	-
Total comprehensive income for the year		355,614	264,924
Total comprehensive income for the year attributable to:			
Equity holders of the Parent		325,808	226,055
Non-controlling interests		29,806	38,869
		355,614	264,924



The attached notes from 1 to 39 form part of these consolidated financial statements.


United Development Company Q.P.S.C.

Consolidated statement of financial position as at 31 December 2021

	Note	2021 QR'000	2020 QR'000
Assets			
Non-current assets			
Property, plant and equipment	9	2,867,580	2,870,783
Investment properties	10	10,005,575	9,717,613
Right-of-use assets	11	11,698	7,207
Intangible assets	12	2,498	709
Investment in associate	13	37,954	43,233
Investment securities	14	49,823	51,787
Accounts and other receivables	17	831,257	853,393
Deferred costs	16	119,789	128,476
Total non-current assets		13,926,174	13,673,201
Current assets			
Inventories	15	953,001	902,826
Work in progress		1,769,583	1,524,954
Accounts and other receivables	17	1,543,372	1,480,689
Deferred costs	16	13,809	13,263
Cash and bank balances	18	1,795,865	1,881,251
Total current assets		6,075,630	5,802,983
Total assets		20,001,804	19,476,184
Equity and liabilities			
Equity			
Issued capital	19	3,540,862	3,540,862
Legal reserve	20	1,770,431	1,752,393
Other reserve	21	1,212,049	1,212,049
Retained earnings		4,475,494	4,449,679
Equity attributable to equity holders of the parent		10,998,836	10,954,983
Non-controlling interests		75,568	366,796
Total equity		11,074,404	11,321,779
Liabilities			
Non-current liabilities			
Loans and borrowings	24	3,012,139	3,237,894
Accounts and other payables	25	114,240	97,675
Retention payable	26	181,575	106,731
Deferred revenue	27	607,462	638,166
Employees' end-of-service benefits	28	49,708	47,977
Lease liabilities	29	9,273	6,034
Total non-current liabilities		3,974,397	4,134,477
Current liabilities			
Loans and borrowings	24	1,521,084	624,180
Accounts and other payables	25	3,257,356	3,221,907
Retention payable	26	112,943	115,205
Deferred revenue	27	58,731	57,225
Lease liabilities	29	2,889	1,411
Total current liabilities		4,953,003	4,019,928
Total liabilities		8,927,400	8,154,405
Total equity and liabilities		20,001,804	19,476,184

These consolidated financial statements were approved by the Board of Directors and signed on their behalf on 2 February 2022 by:


Ibrahim Jassim Al-Othman
President and Chief Executive Officer


Turki Bin Mohamed Al-Khater
Chairman of the Board

The attached notes from 1 to 39 form part of these consolidated financial statements.

United Development Company Q.P.S.C.

Consolidated statement of changes in equity for the year ended 31 December 2021

	Attributable to equity holders of the Parent				Total QR'000	Non- controlling interests QR'000	Total equity QR'000
	Share Capital QR'000	Legal reserve QR'000	Other reserves QR'000	Retained earnings QR'000			
Balance at 1 January 2020	3,540,862	1,729,787	1,212,049	4,431,132	10,913,830	325,719	11,239,549
Net profit for the year	-	-	-	226,055	226,055	38,869	264,924
Other comprehensive income for the year	-	-	-	-	-	-	-
Transfer to legal reserve (Note 20)	-	22,606	-	(22,606)	-	-	-
Dividend paid (Note 22)	-	-	-	(177,043)	(177,043)	-	(177,043)
Contribution to social and sports fund (Note 23)	-	-	-	(5,651)	(5,651)	-	(5,651)
Movement in non-controlling interests	-	-	-	(2,208)	(2,208)	2,208	-
Balance at 31 December 2020	3,540,862	1,752,393	1,212,049	4,449,679	10,954,983	366,796	11,321,779
Net profit for the year	-	-	-	325,808	325,808	29,806	355,614
Other comprehensive income for the year	-	-	-	-	-	-	-
Related party share of tax	-	-	-	-	-	7,881	7,881
Transfer to legal reserve (Note 20)	-	18,038	-	(18,038)	-	-	-
Dividend paid (Note 22)	-	-	-	(177,043)	(177,043)	(14,149)	(191,192)
Acquisition of non-controlling interest without change in control (Note 32)	-	-	-	(96,767)	(96,767)	(315,256)	(412,023)
Contribution to social and sports fund (Note 23)	-	-	-	(8,145)	(8,145)	-	(8,145)
Movement in non-controlling interests	-	-	-	-	-	490	490
Balance at 31 December 2021	3,540,862	1,770,431	1,212,049	4,475,494	10,998,836	75,568	11,074,404



The attached notes from 1 to 39 form part of these consolidated financial statements.

United Development Company Q.P.S.C.

Consolidated statement of cash flows for the year ended 31 December 2021

	Note	2021 QR'000	2020 QR'000
Operating activities:			
Profit before tax		361,338	274,088
Adjustments:			
Net share of results in associates	13	(1,121)	(5,865)
Depreciation	9	102,743	104,891
Loss on disposal of property, plant and equipment		11,461	11,219
Amortisation of intangible assets	12	226	214
Amortisation of right-of-use assets	11	2,722	3,514
Net finance costs		47,244	76,282
Dividend income		(984)	(1,128)
Provision for impairment of trade receivables	17	8,446	63,579
Fair value loss on investment securities	14	1,964	10,890
Fair value gain on investment properties	10	(15,471)	(43,563)
Provision for employees' end-of-service benefits	28	6,213	8,511
Operating profit before changes in working capital		524,781	502,632
Changes in working capital:			
Inventories		515	72,300
Work in progress		(244,629)	(865,656)
Accounts and other receivables		(44,449)	143,237
Accounts and other payables		44,345	634,866
Retention payable		72,582	73,817
Deferred revenue and cost, net		(21,057)	(31,691)
Cash generated from operating activities		332,088	529,505
Finance costs paid		(107,359)	(107,843)
Employees' end-of-service benefits paid	28	(4,482)	(5,798)
Income tax paid		(8,392)	(2,444)
Net cash generated from operating activities		211,855	413,420
Investing activities:			
Additions to property, plant and equipment	9	(116,138)	(13,326)
Proceeds from the sale of property, plant and equipment		5,137	1,191
Additions to intangible assets	12	(2,015)	(474)
Finance income received		75,079	44,887
Additions to investment properties	10	(323,181)	(188,226)
Repayment of lease liabilities	29	(3,051)	(3,871)
Movement in time deposits maturing after three months		(76,328)	(385,965)
Acquisition of non-controlling interest	32	(412,023)	-
Dividend received from associate and other investees		7,384	12,328
Net cash used in investing activities		(845,136)	(533,456)
Financing activities:			
Proceeds from loans and borrowings		1,194,573	692,820
Repayment of loans and borrowings		(531,814)	(198,821)
Dividend	22	(191,192)	(177,043)
Net cash generated from financing activities		471,567	316,956
Net (decrease)/increase in cash and cash equivalents		(161,714)	196,920
Cash and cash equivalents at the beginning of the year	18	497,817	300,897
Cash and cash equivalents at the end of the year	18	336,103	497,817



The attached notes from 1 to 39 form part of these consolidated financial statements.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021

1. Corporate information and principal activities

United Development Company Q.P.S.C. (the "Company") (the "Parent") was incorporated as a Qatari Shareholding Company in accordance with the Emiri Decree No. 2 on 2 February 1999 and whose shares are publicly traded. The registered office of the Company is situated in Doha, State of Qatar and its registered office address is P.O box 7256. The consolidated financial statements of the Group as at and for the year ended 31 December 2021 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 4.1.

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

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

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issue in accordance with approval of the Board of the Directors on 2 February 2022.

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 securities and investment properties that are presented at fair value in accordance with IFRS.

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

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 IFRS 15 *Revenue from contracts with customers*, and in particular, whether the Group had transferred the control of the completed properties to the buyer.

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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

2. Basis of preparation (continued)

Judgments (continued)

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 to investment properties 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 and other comprehensive income at the date of transfer.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful life of property, plant and equipment and intangible assets 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 non-financial assets

The carrying amount of Group's non-financial assets (equity accounted investees and property and equipment but not inventories and investment properties) are reviewed at each reporting date to determine whether there is any indication of impairment. The determination of what can be considered impaired requires significant judgement.

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. The Group has been profitable, and it had positive net asset (equity), working capital and cash flow positions as at the reporting date.

As explained in Note 39 "*Impact of COVID-19*", the general risk environment in which the Group operates has heightened during the year largely due to the continued level of overall uncertainty of the future impact of Covid-19 worldwide. However, the management of the Group concluded that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Lease liabilities

Management assesses whether contracts entered by the Group for renting various assets contain a lease. The lease identification, including whether or not the Group has contracted to substantially all the economic benefits of the underlying asset, may require significant judgment. Establishing the lease term may also present challenges where a contract has an indefinite term or is subject to auto-renewal or there are renewal options that are unclear if they will be exercised at the option date. The extension of the lease term significantly influences the value of the lease liability and the related right-of-use asset, and arriving at a conclusion sometimes requires significant judgment calls. Furthermore, once the lease term is established, management needs to estimate the future cash flows payable over the lease term and discount them using the incremental borrowing rate that a lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. That also requires significant judgment and affects both the finance lease liability and the fair value of the underlying asset.

Other provisions and liabilities

Other provisions and liabilities are recognized in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period in which the change occurs.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

2. Basis of preparation (continued)

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 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.

Provision of slow-moving and obsolete inventories

Inventories are held at lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence, based on historical realisable value.

Impairment of receivables

The Group uses an expected credit loss (ECL) impairment model to determine the impairment of receivables. This impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring the ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3. Changes in accounting policies and disclosures

3.1 New and amended standards and interpretations adopted by Group

The below lists show the recent changes to International Financial Reporting Standards (“IFRS” or “standards”) that are required to be applied by the Group with an annual reporting period beginning on or after 1 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The adoption of the above amended and improved standards had no significant impact on the Company’s financial statements.

3.2 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Effective for year beginning 1 January 2022

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts – Cost of fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018 – 2020.
- Property, Plant, and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to the Conceptual Framework (Amendments to IFRS 3).

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

3. Changes in accounting policies and disclosures (continued)

3.2 Standards issued but not yet effective (continued)

Effective for year beginning 1 January 2023	<ul style="list-style-type: none">▪ Classification of Liabilities as Current or Non-current (Amendments to IAS 1)▪ IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts▪ Disclosure of Accounting Policies (<i>Amendments to IAS 1 and IFRS Practice Statement 2</i>)▪ Definition of Accounting Estimates (<i>Amendments to IAS 8</i>)▪ Deferred Tax related to Assets and Liabilities arising from a Single Transaction (<i>Amendments to IAS 12</i>)
Available for optional adoption / effective date deferred indefinitely	<ul style="list-style-type: none">▪ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 the Group's entities.

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent 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 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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.1 Basis of consolidation (continued)

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 fair value through profit or loss investment 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 The Parent. and its subsidiaries listed in the following table:

Name of the entity	Country of incorporation	% equity interest	
		2021	2020
Qatar District Cooling Company Q.C.S.C.	Qatar	91.06	51
Ronautica Middle East W.L.L.	Qatar	100	100
The Pearl Qatar Company W.L.L.	Qatar	100	100
Hospitality Development Company W.L.L.	Qatar	100	100
United Fashion Company W.L.L.	Qatar	100	100
Madina Centrale Company W.L.L.	Qatar	100	100
Abraj Al-Mutahida Company W.L.L.	Qatar	100	100
United Facilities Management Company W.L.L.	Qatar	100	100
Scoop Media and Communication Company W.L.L.	Qatar	100	100
Pragmatech Company W.L.L.	Qatar	100	100
Glitter W.L.L.	Qatar	100	100
Insure Plus W.L.L.	Qatar	100	100
Madina Innova W.L.L.	Qatar	100	100
The Pearl Owners Corporation W.L.L.	Qatar	100	100
United Development Investment Company	Cayman Island	100	100
United Technology Solution W.L.L.	Qatar	100	100
Leisure and Resorts Company W.L.L.	Qatar	100	100
United Education Company W.L.L.	Qatar	51	51
Proman LLC	Qatar	100	-

Qatar District Cooling Company Q.C.S.C. ("Qatar Cool") 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.

During the year ended 31 December 2021, the Group completed acquisition of the shares in Qatar Cool allotted to them from National Central Cooling Company (an Emirati company), which increased the Group's equity interest in Qatar Cool from 51% to 91.06% (Note 32).

Accordingly, accumulated balance of non-controlling interests disclosed in the consolidated statement of financial position as at 31 December 2021 of QR 75.5 million relates to 8.94% equity interest in Qatar Cool that is not owned by the Group (31 December 2020: QR 366.8 million relating to 49%). Profit allocated to non-controlling interests for the year ended 31 December 2021 amounted to QR 29.8 million (2020: QR 38.8 million).

The summarised financial information of this subsidiary, prior to intercompany eliminations, is provided below:

	31 December 2021 QAR'000	31 December 2020 QAR'000
Profit for the year	101,422	85,961
Total assets	2,288,786	2,230,583
Total liabilities	1,431,084	1,447,238
Total equity	857,702	783,345

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.1 Basis of consolidation (continued)

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

The Pearl Qatar Company W.L.L.'s activity is real estate investments.

Hospitality Development Company W.L.L. (HDC) is engaged in the investment and management of restaurants and sales and purchases of fast-moving consumer goods in the hospitality sector. HDC consolidates Lebanese Restaurants Development L.L.C (100%), Flavours of Mexico L.L.C (100%), The Rising Sun L.L.C (95.68%), Wafflemeister Restaurant L.L.C (100%), Isla Mexican Kitchen W.L.L. (100%), Arabesque Restaurant W.L.L.(100%), The Circle Café W.L.L. (100%), Chocolate Jar W.L.L. (100%), Bread and Crumbs W.L.L. (100%) and Shirvan Metisse Doha Restaurant W.L.L. (100%) in its consolidated financial statements.

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

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

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

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

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

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

Glitter W.L.L.'s activity is to provide cleaning related services. The Company ceased operations during 2016.

Insure plus W.L.L.'s activity is an insurance agency and providing technical and risk related services. The Company ceased operations during 2016.

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

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

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

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

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

United Education Company W.L.L.'s activity is in the management and operation of schools.

Proman L.L.C.'s activity is in the management of operations and support services.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.2 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 recognised 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 IFRS 9 *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 reassesses whether it has correctly identified all 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.

4.3 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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.3 Investment in associates (continued)

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 recognised in the statement of profit or loss.

4.4 Transactions eliminated upon 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.

4.5 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.

4.6 Revenue recognition

<u>Type of service</u>	<u>Nature, timing and satisfaction of performance obligations, significant payment terms</u>	<u>Revenue Recognition</u>
Annual capacity fees	These are one-time non-refundable fees charged to customers on the service commencement date as per the service agreement. This is fully collected from the customer in advance on the service commencement date.	Revenue and related costs are recognised over the term of the contract with the customers.
Sale of Energy Transfer Stations (ETS)	ETS are installed at the customer's premises in order to receive cooling services. This is a one-time fee charged to the customers on date of substantial completion of the ETS and is fully collected from the customer in advance.	Revenue and related costs are recognised over the term of the contract with the customers.
Revenue from the sale of completed properties (land, townhouses, apartments and villas)	These are revenue from sale of properties such as land, townhouses, apartments and villas. The Group's performance obligation is satisfied when hand over certificate of the property is provided to the buyer.	Revenue is recognised when the control of the completed properties is transferred to the buyer.
Service charges	These are income arising from recovering the cost of providing maintenance activities to properties.	Revenue is recognised over the corresponding period.
Fee income	These are revenue arising from management services provided to properties.	Revenue is recognised upon rendering of service.
Rental income	These are revenue arising from leasing retail and residential units.	Revenue is recognised monthly based on the period of contract.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.6 Revenue recognition

<u>Type of service</u>	<u>Nature, timing and satisfaction of performance obligations, significant payment terms</u>	<u>Revenue Recognition</u>
Revenue from sale of goods	These are arising from provision of food and beverage services at restaurants	Revenue is recognised when control over the goods is transferred to the buyer.

4.7 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 includes 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 recognised in 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 recognised in profit or loss, in which case the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised 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 their 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.

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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.7 Property, plant and equipment (continued)

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 as appropriate.

4.8 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.

4.9 Capital work-in-progress

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

4.10 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 arise.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.10 Investment properties (continued)

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, inventory 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.

4.11 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 capitalisation, the costs related to these borrowings are reduced by any investment income on the temporary investment of the borrowings. The capitalisation 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.

4.12 Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; at fair value through other comprehensive income (FVTOCI); or at fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.12 Financial instruments (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest-rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par-amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.12 Financial instruments (continued)

Financial assets - Subsequent measurement and gains and losses

- At FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- At amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- At FVTOCI These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4.13 Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.14 Impairment

Non-derivative financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition and are measured at 12-month ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As a practical expedient, the Group calculates ECL on trade receivables using a provision matrix. The Group use its historical credit loss experience for trade receivables to estimate the lifetime expected credit losses. The provision matrix uses fixed provision rates depending on the number of days that a trade receivable is past due. The Group considers a financial asset to be in default when the customer is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of impairment

Provision for impairment on trade receivables is deducted from gross carrying value of trade receivables and impairment losses relating to trade receivables are separately presented in the consolidated statement of profit or loss and other comprehensive income.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.14 Impairment (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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, if no impairment loss had been recognised.

4.15 Inventories and work in progress

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.

Properties which are being developed and constructed for sale in the ordinary course of business are classified as work in progress until construction or development is complete. The cost of 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.

4.16 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and short-term original deposits with original 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.

4.17 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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.18 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' latest monthly payroll 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.

4.19 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 recognised 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.

4.20 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 inflow of economic benefits is probable.

4.21 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 apart from 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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.22 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 classified as 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 classified as 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.

All other liabilities are classified as non-current.

4.23 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 carrying amount and fair value less costs to sell. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

4.24 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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.25 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.25 Leases (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

Leases in which a significant portion of the risk and rewards of ownership are transferred to the lessee are classified as finance leases. They are initially recognised as "Finance lease receivables" on the statement of financial position at the present value of the minimum lease payments (the net investment in the lease) receivable from the lessee over the period of the lease. Over the lease term, each lease payment made by the lessee is allocated between the "Finance lease receivables" and "Finance lease income" in profit or loss so as to achieve a constant rate on the finance lease receivable balance outstanding. The Company does not have finance lease receivables.

4.26 Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with adequate frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is dosed out.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

4. Significant accounting policies (continued)

4.27 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or OCI.

Current tax

Current tax comprises the expected tax payable on the taxable profit for the year, adjusted for any corrections to the tax payable of previous years. It is calculated on the basis of the tax laws enacted (Income Tax Law No. 24 of 2018 and Ministerial Decision No. 39 of 2019) or substantively enacted at the reporting date in the State of Qatar. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

If applicable tax regulation is subject to interpretation and there is uncertainty over a treatment chosen by the Company that it is not probable that the tax authority will accept, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities. Provisions made in respect of uncertain tax positions are re-assessed whenever circumstances change or there is new information that affects the previous judgements and estimates.

Deferred tax

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts in the financial statements of a Group entity and their respective amounts used for tax purposes

Deferred income tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits;
- temporary differences related to investments in subsidiaries, to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability for future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax assets are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled using tax rates based on tax laws that have been enacted (Income Tax Law No. 24 of 2018 and Ministerial Decision No. 39 of 2019) or substantially enacted at the reporting date in the State of Qatar.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Group where there is an intention to settle the balances on a net basis.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

5. Financial risk management

The Group's principal financial liabilities comprise loans and borrowings, retention payable, lease liabilities, income tax liability and 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, investment securities and cash and short-term deposits that arrive directly from its operations.

Risk management framework

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group has exposure to credit risks, liquidity risks and market risks from its use of financial instruments. 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 framework.

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. 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 adequate 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 adequate 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.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

5. Financial risk management (continued)

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. 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 to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors seek 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

	2021 QR'000	2020 QR'000
Fee income	24,149	20,788
Sundry income	58,693	47,645
	<u>82,842</u>	<u>68,433</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

7. General and administrative expenses

	2021 QR'000	2020 QR'000
Payroll and related expenses	160,040	172,184
Depreciation and amortization	32,938	37,385
Rent	1,279	971
Professional expenses	25,412	22,685
Directors' remuneration	15,749	1,085
Others	72,560	70,863
	<u>307,978</u>	<u>305,173</u>

8. Basic and diluted earnings per share

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

	2021	2020
Profit for the year attributable to equity holders of the Parent (QR'000)	325,808	226,055
Weighted average number of outstanding shares during the year ('000)	<u>3,540,862</u>	<u>3,540,862</u>
Basic and diluted earnings per share (QR)	<u>0.092</u>	<u>0.064</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

9. Property, plant and equipment

	Land QR'000	Building QR'000	Boats QR'000	Plant facilities QR'000	Furniture, fixtures, equipment, instruments and building improvements QR'000	Motor vehicles QR'000	Capital work in progress QR'000	Total 2021 QR'000	Total 2020 QR'000
Cost or valuation:									
At 1 January	1,024,461	256,952	7,333	2,166,430	352,022	8,705	190	3,816,093	3,831,305
Additions	-	13,472	73	425	19,087	109	82,972	116,138	13,326
Reclassification	-	-	-	12,418	916	-	(13,334)	-	-
Disposals	(16,506)	-	-	-	(2,342)	(787)	-	(19,635)	(28,538)
At 31 December	<u>1,007,955</u>	<u>270,424</u>	<u>7,406</u>	<u>2,179,273</u>	<u>369,683</u>	<u>8,027</u>	<u>69,828</u>	<u>3,912,596</u>	<u>3,816,093</u>
Accumulated depreciation:									
At 1 January	-	80,444	6,327	567,550	283,715	7,274	-	945,310	856,547
Charge for the year	-	13,213	179	69,950	18,844	557	-	102,743	104,891
Disposals	-	-	-	-	(2,265)	(772)	-	(3,037)	(16,128)
At 31 December	<u>-</u>	<u>93,657</u>	<u>6,506</u>	<u>637,500</u>	<u>300,294</u>	<u>7,059</u>	<u>-</u>	<u>1,045,016</u>	<u>945,310</u>
Net book value:									
At 31 December 2021	<u>1,007,955</u>	<u>176,767</u>	<u>900</u>	<u>1,541,773</u>	<u>69,389</u>	<u>968</u>	<u>69,828</u>	<u>2,867,580</u>	
At 31 December 2020	<u>1,024,461</u>	<u>176,508</u>	<u>1,006</u>	<u>1,598,880</u>	<u>68,307</u>	<u>1,431</u>	<u>190</u>	<u>-</u>	<u>2,870,783</u>

- The district cooling plant and related facilities are being constructed on the freehold land owned by the Group and leasehold lands.
- The revaluation of the land was carried out by an independent valuer.
- Capital work in progress comprises of costs incurred in respect of cooling plants of Qatar District Cooling Company Q.C.S.C.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

9. Property, plant and equipment (continued)

The depreciation charge has been disclosed in the consolidated statement of profit or loss as follows:

	2021 QR'000	2020 QR'000
Cost of revenue	72,655	71,135
General and administrative expenses	30,088	33,756
	<u>102,743</u>	<u>104,891</u>

10. Investment properties

	2021 QR'000	2020 QR'000
Balance at 1 January	9,717,613	9,520,972
Additions during the year	323,181	188,226
Transfers, net	(50,690)	(35,148)
Fair value gains	15,471	43,563
Balance at 31 December	<u>10,005,575</u>	<u>9,717,613</u>

The Group leases out its investment properties. The Group has classified these leases as operating leases as they do not transfer substantially all risks and rewards incidental to the ownership of the assets. Rental income recognised by the Group in respect of these leases during the year is QR 230 million (2020: QR 226 million).

Maturity analysis of leases due based on undiscounted lease amounts receivable after the reporting date are as follows:

	2021 QR'000	2020 QR'000
Less than one year	197,688	166,526
Between one to two years	117,513	110,694
Between two to three years	71,455	71,193
Between three to four years	43,571	40,437
Between four to five years	27,144	26,890
More than five years	65,147	31,266
	<u>522,518</u>	<u>447,006</u>

Fair value of the investment properties is determined primarily based on valuations carried out by professionally qualified third-party valuation companies that are members of a professional valuers' associations and have the appropriate qualifications and experience in valuing these types of investment properties. The valuation was mainly determined using the market comparable approach (Level 2 of the fair value hierarchy) and discounted cash flow method (Level 3 of the fair value hierarchy) in accordance with RICS valuation standards, adopting the IFRS basis of fair value and using established principles and valuation techniques.

Discounted cash flow model considers the present value of net cash flows to be generated from the property considering the expected rental growth rate, void periods, occupancy rate and rent-free periods. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.

Average expected market rental growth considered in the valuations ranges from 1% to 1.6% (2020: 1% to 1.6%), average expected occupancy rate ranges from 15% to 92.5% (2020: 15% to 92.5%), risk adjusted discount rate 7.02% (2020: 7.54%) and expected inflation rate ranges from 2% to 2.5% (2020: 2.5% to 3%).

The estimated fair value would increase if the expected market rental growth and occupancy rates were higher and the risk adjusted discount rate was lower.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

11. Right-of-use assets

	2021 QR'000	2020 QR'000
Balance at 1 January	7,207	-
Initial adoption of IFRS 16	-	5,616
Additions	7,213	5,105
Depreciation for the year	<u>(2,722)</u>	<u>(3,514)</u>
Balance at 31 December	<u>11,698</u>	<u>7,207</u>

12. Intangible assets

	Branding QR'000	Goodwill QR'000	Operating software QR'000	Others QR'000	Total 2021 QR'000	Total 2020 QR'000
Cost:						
At 1 January	14,255	8,867	8,824	2,814	34,760	34,286
Additions	-	-	2,015	-	2,015	474
At 31 December	<u>14,255</u>	<u>8,867</u>	<u>10,839</u>	<u>2,814</u>	<u>36,775</u>	<u>34,760</u>
Amortisation and impairment:						
At 1 January	14,154	8,867	8,350	2,680	34,051	33,837
Charge for the year	-	-	226	-	226	214
At 31 December	<u>14,154</u>	<u>8,867</u>	<u>8,576</u>	<u>2,680</u>	<u>34,277</u>	<u>34,051</u>
Net book value:						
At 31 December 2021	<u>101</u>	<u>-</u>	<u>2,263</u>	<u>134</u>	<u>2,498</u>	<u>-</u>
At 31 December 2020	<u>101</u>	<u>-</u>	<u>474</u>	<u>134</u>	<u>-</u>	<u>709</u>

13. Investment in associate

	2021 QR'000	2020 QR'000
Balance at 1 January	43,233	48,568
Share of profit for the year	1,121	5,865
Dividend received	<u>(6,400)</u>	<u>(11,200)</u>
Balance at 31 December	<u>37,954</u>	<u>43,233</u>

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

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

13. Investment in associate (continued)

Following table represents the summarised financial information of the Group's investments in the associate.

	2021 QR'000	2020 QR'000
Share of associate's results in the statement of financial position:		
Non-current assets	8,456	10,683
Current assets	51,621	59,731
Non-current liabilities	(1,786)	(1,842)
Current liabilities	(20,337)	(25,339)
Net assets	<u>37,954</u>	<u>43,233</u>
Share of associate's results in the statement of profit or loss:		
Revenue	<u>71,416</u>	<u>76,977</u>
Profit for the year	<u>1,121</u>	<u>5,865</u>

14. Investment securities

	2021 QR'000	2020 QR'000
Balance at 1 January	51,787	62,677
Fair value loss during the year	(1,964)	(10,890)
Balance at 31 December recognized as FVTPL	<u>49,823</u>	<u>51,787</u>
Quoted shares inside Qatar	32,396	29,678
Quoted shares outside Qatar	17,427	22,109
	<u>49,823</u>	<u>51,787</u>

15. Inventories

	2021 QR'000	2020 QR'000
Land and properties held for trading	916,542	871,252
Energy transfer stations	20,597	16,559
Material and spare parts	15,054	14,467
Food, beverage and consumables	808	548
	<u>953,001</u>	<u>902,826</u>

16. Deferred costs

These represent costs incurred in respect of connection revenue and one-time capacity revenue that is recognised on a straight-line basis over the term of the contracts with the customers, which is in line with the recognition of revenue from these sources (Note 4.6).

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

17. Accounts and other receivables

	2021 QR'000	2020 QR'000
Non-current:		
Accounts receivable	809,362	791,531
Long term deposits	20,659	60,265
Deferred tax asset (Note 30)	1,236	1,564
Others	-	33
	<u>831,257</u>	<u>853,393</u>
Current:		
Accounts receivable, net	764,072	617,045
Advances to contractors	164,272	239,484
Amounts due from related parties (Note 31)	1,058	9,142
Prepayments and accruals	20,356	23,997
Others	593,614	591,021
	<u>1,543,372</u>	<u>1,480,689</u>

Accounts receivable are presented net of impairments, movement during the year is as follows:

	2021 QR'000	2020 QR'000
Balance at 1 January	133,948	126,451
Provision for impairment during the year	8,446	63,579
Write-off during the year	(13,700)	(56,082)
Balance at 31 December	<u>128,694</u>	<u>133,948</u>

Note 35 on credit risk explains how the Group manages and measures credit quality of the accounts receivable.

18. Cash and bank balances

	2021 QR'000	2020 QR'000
Cash in hand and bank balances	336,103	397,728
Time deposits	1,459,762	1,483,523
Total cash and bank balances	1,795,865	1,881,251
Less: Time deposits with original maturities greater than 90 days	(1,459,762)	(1,383,434)
Cash and cash equivalents	<u>336,103</u>	<u>497,817</u>

19. Share capital

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

20. Legal reserve

In accordance with the Qatar Commercial Companies Law No.11 of 2015, 10% of the profits for the year are transferred to legal reserve. Management may discontinue such transfers when the reserve totals to 50% of the paid-up share capital. The reserve is not available for distribution, except in the circumstances as stipulated by the Qatar Commercial Companies Law No.11 of 2015. In 2006, the Company capitalised QR 57.3 million from the legal reserve in order to issue bonus shares for the year 2005.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

21. Other reserves

These represent revaluation reserve which is used to recognise increase in the fair value of property, plant and equipment that were subject to fair valuation. Decrease in fair value is recognised in the reserve only to the extent it relates to an increase in fair value of the same asset previously recognised in equity.

22. Proposed dividend

The Board of Directors proposed a cash dividend of 5.5% of share capital amounting to QR 195 million for the year 2021 which is subject to approval of the shareholders at the annual general meeting.

On 3 March 2021, the Company held its annual general meeting for the year 2020 which, among other things, approved cash dividend of 5% of share capital amounting to QR 177 million.

23. Social and sports fund

Qatar Law No.13 of 2008 requires all Qatari listed shareholding companies to pay 2.5% of their net profit to a Social and Sports Fund. Pursuant to this Law and further clarifications issued in 2010, the Group has made an appropriation of QR 8.1 million for the year ended 31 December 2021 (2020: QR 5.7 million).

24. Loans and borrowings

	2021 QR'000	2020 QR'000
Loans and borrowings	4,563,731	3,889,012
Unamortised costs associated with raising finance	<u>(30,508)</u>	<u>(26,938)</u>
	<u>4,533,223</u>	<u>3,862,074</u>
Presented as:		
Non-current liability	3,012,139	3,237,894
Current liability	<u>1,521,084</u>	<u>624,180</u>
	<u>4,533,223</u>	<u>3,862,074</u>

Details of the Group's loans and borrowings are as follows. The loans carry interest at variable rates of Qatar Central Bank repo rate and/or LIBOR plus margin.

- In January 2015, the Group obtained a loan facility of US\$ 165.3 million from a local bank which is repayable by semi-annual instalments commencing March 2015 up to March 2024, with US\$ 123 million repaid as at reporting date. The loan is secured against plant and equipment and chiller plant, apart from revenue from the chiller plant and insurance proceeds assigned in favour of the lender.
- In January 2015, the Group obtained a loan facility of US\$ 86 million from a local bank out of which US\$ 72.5 million was drawn down. The loan is repayable by semi-annual instalments commencing September 2017 up to 31 March 2026, with US\$ 33.1 million repaid as at reporting date. The loan is secured against plant and equipment and chiller plant, apart from revenue from the chiller plant and insurance proceeds assigned in favour of the lender.
- In March 2021, the Group obtained a loan facility of QR 195 million for construction of a plant facility out of which QR 44 million is drawn down as at reporting date. The loan is repayable by quarterly instalments commencing June 2023 up to May 2036 and is secured against the property under development.
- In March 2020, the Group renewed a corporate facility for QR 728 million from a local bank which is fully repayable in March 2023.
- In September 2014, the Group obtained a corporate facility for QR 630 million from a local bank which is repayable in quarterly instalments from October 2014 to April 2022, with QR 594 million repaid as at reporting date.

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

24. Loans and borrowings (continued)

- In July 2013, the Group obtained a project facility for QR 1,546 million from a local bank which is repayable in quarterly instalments from September 2013 to April 2023, with QR 1,362 million repaid as at reporting date. The loan is secured against retail and residential properties.
- In June 2014, the Group obtained a Musharaka facility for QR 770 million from a local bank out of which QR 715 million was drawn down. The loan is repayable in quarterly instalments from December 2018 to September 2026, with QR 234 million repaid as at reporting date. The loan is secured against a commercial property.
- In December 2016, the Group obtained project finance for QR 730 million from a local bank out of which QR 628 million is drawn down as at reporting date. The loan is repayable in quarterly instalments June 2021 to December 2032, with QR 146 million repaid as at reporting date. The loan is secured against a residential property.
- In August 2020, the Group renewed a revolving facility for QR 765 million from a local bank which is repayable by August 2023.
- In July 2019, the Group obtained syndicated loan facility from local banks for QR 1.25 billion for development of mixed-use properties out of which QR 264 million is drawn down as at reporting date. The loan is repayable from March 2022 to December 2028 and is secured against the mixed-use properties under development.
- In March 2020, the Group obtained Ijarah facility for QR 353 million from a local bank mainly for the development of residential properties out of which QR 250 million is drawn down as at reporting date. The loan is repayable in quarterly instalments from June 2023 to March 2030 and is secured against the residential properties under development.
- In April 2020, the Group obtained Murabaha facility for QR 175 million from a local bank mainly for the development of residential properties out of which QR 120 million is drawn down as at reporting date. The loan is repayable in semi-annual instalments from May 2023 to May 2029 and is secured against the residential properties under development.
- In April 2020, the Group obtained Murabaha facility for QR 200 million from a local bank for development of a commercial property out of which QR 145 million is drawn down as at reporting date. The loan is repayable in semi-annual instalments from November 2022 to May 2029 and is secured against the property under development.
- In February 2021, the Group obtained corporate facility for QR 690 million from a local bank which is repayable in March 2022.
- In January 2021, the Group obtained Murabaha facility for QR 105 million from a local bank for the development of a commercial property out of which QR 74 million is drawn down as at reporting date. The loan is repayable in semi-annual instalments from May 2023 to May 2029 and is secured against the property under development.

Repayment profile of the principal amounts of the Group's loans and borrowings are as follows:

	2021 QR'000	2020 QR'000
On demand or within one year	1,528,592	630,744
Between two and five years	2,692,980	2,883,256
More than five years	342,159	375,012
	<u>4,563,731</u>	<u>3,889,012</u>

The Group has capitalised directly attributable borrowing costs of QR 27.4 million during the year to work in progress (2020: QR 29 million).

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

24. Loans and borrowings (continued)

Cash flows from loans and borrowings represent net drawdown of loans in the consolidated statement of cash flows as follows:

	At 1 January QR'000	Cash flows QR'000	Issue costs amortisation QR'000	At 31 December QR'000
2021	<u>3,862,074</u>	<u>662,759</u>	<u>8,390</u>	<u>4,533,223</u>
2020	<u>3,360,235</u>	<u>493,999</u>	<u>7,840</u>	<u>3,862,074</u>

25. Accounts and other payables

	2021 QR'000	2020 QR'000
Non-current:		
Master community reserve fund	<u>114,240</u>	<u>97,675</u>
Current:		
Accounts payable	222,607	256,636
Accrued contract costs	567,808	636,546
Advances received from customers	1,728,819	1,762,908
Other accruals	200,961	139,102
Income tax payable	5,310	8,318
Other liabilities	<u>531,851</u>	<u>418,397</u>
	<u>3,257,356</u>	<u>3,221,907</u>

26. Retention payable

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

	2021 QR'000	2020 QR'000
Amounts due for settlement within one year	112,943	115,205
Amounts due for settlement after one year	<u>181,575</u>	<u>106,731</u>
	<u>294,518</u>	<u>221,936</u>

27. Deferred revenue

Deferred revenue represents connection fees and one-time capacity revenues that will be recognised in the statement of profit or loss on a straight-line basis over the term of the contracts with customers. Related direct costs are recognised into the statement of profit or loss at the same time (Note 16).

28. Employees' end-of-service benefits

	2021 QR'000	2020 QR'000
Balance at 1 January	47,977	45,264
Charge for the year	6,213	8,511
Payments during the year	<u>(4,482)</u>	<u>(5,798)</u>
Balance at 31 December	<u>49,708</u>	<u>47,977</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

29. Lease liabilities

	2021 QR'000	2020 QR'000
At 1 January upon adoption of IFRS 16	7,445	5,731
Additions	7,213	5,105
Lease payments during the year	(3,051)	(3,871)
Interest expense on lease liabilities	555	480
Balance at 31 December	<u>12,162</u>	<u>7,445</u>
Presented as:		
Non-current liability	9,273	6,034
Current liability	<u>2,889</u>	<u>1,411</u>
	<u>12,162</u>	<u>7,445</u>

30. Income tax

The income tax expenses in the consolidated statement of profit or loss is as follows:

	2021 QR'000	2020 QR'000
Change in estimates related to prior year	74	2,444
Income tax expense for the current year	5,322	8,284
Deferred income tax	328	(1,564)
	<u>5,724</u>	<u>9,164</u>

The tax on the Group entities profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2021 QR'000	2020 QR'000
Profit before tax	361,338	274,088
Tax exempt profit	(309,588)	(247,971)
Profit subject to tax	<u>51,750</u>	<u>26,117</u>
Effective tax rate	10%	10%
Tax calculated based on current tax rate	5,175	2,612
Change in estimates related to prior year	74	2,444
Tax effect on previous unrecognized tax losses in subsidiaries	(50)	(76)
Tax effect on expenses and provisions not deductible for tax purpose	525	5,670
Tax effect on previous year unrecognized deferred tax assets	-	(4,260)
Tax effect on current year change in the tax rate on unrecognized deferred tax assets	-	2,774
Income tax expense	<u>5,724</u>	<u>9,164</u>

Deferred tax asset represents temporary tax differences on the following assets at the reporting date:

	2021 QR'000	2020 QR'000
Property, plant and equipment	452	591
End of service benefits	111	33
Others	673	940
	<u>1,236</u>	<u>1,564</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

31. 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 terms and conditions as non-related parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

	2021 QR'000	2020 QR'000
<u>Amounts due from related parties</u>		
United Readymix W.L.L.	1,058	3,497
National Central Cooling Company P.J.S.C	-	5,645
	<u>1,058</u>	<u>9,142</u>
<u>Transactions with related parties</u>		
Revenue	18,190	6,049
Rental income	1,710	2,217

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

	2021 QR'000	2020 QR'000
Salaries and other short-term employee benefits	45,053	43,277
Other long-term benefits	2,442	2,691
	<u>47,495</u>	<u>45,968</u>

Directors' remuneration provided for the year 2021 is QR 15.7 million (2020: QR 1.1 million).

32. Acquisition of NCI

On 15 August 2021, the Group completed acquisition of the shares in Qatar District Cooling Company Q.C.S.C. ("Qatar Cool") allotted to them from National Central Cooling Company (an Emirati company), which increased the Group's equity interest in Qatar Cool from 51% to 91.06%, without any change in the Group's controlling interests in Qatar Cool. This is treated as a transaction between shareholders of Qatar Cool in their capacity as owners, the purchase consideration and related transaction costs are therefore presented as an adjustment to the carrying amount of controlling and non-controlling interests within the Statement of changes in equity.

Details of purchase consideration and related changes in Shareholders' equity are as follows:

	QR'000
Purchase consideration (including transaction costs)	(412,023)
Non-controlling interest acquired	315,256
Net consideration attributable to Shareholders of the Group	<u>96,767</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

33. Contingent liabilities

	2021 QR'000	2020 QR'000
Bank guarantees and bonds	<u>6,062</u>	<u>5,698</u>

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

There is an ongoing court case between the Company and a developer wherein the developer has filed a case against the Company and the Company has filed a counter claim against the developer, each seeking compensation for the recovery of costs incurred and damages suffered. The developer's case was decreed by the court in their favor, but the Company has appealed against the judgement. No profit or loss on this project has been recognized by the Company but based on the assessment of the Company's lawyers, no material additional liability is expected to arise from this case.

There is a court case between the Company and a developer wherein both parties have claimed compensation and damages from each other. Although the case was decreed by the court in favor of the developer after netting the amounts due to the Company, the Company is pursuing to appeal against the judgement. Based on the assessment of the Company's lawyers, the Company expects the judgement to be reviewed by the court and hence no material liability is expected to arise from this case.

34. Capital commitments

	2021 QR'000	2020 QR'000
Contractual commitments to contractors and suppliers	<u>1,518,006</u>	<u>2,577,412</u>

35. Financial instruments and risk management

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

Financial instruments consist of cash and bank balances, accounts receivable, other receivables, due from related parties, loans and borrowings, retention payables, lease liabilities and accounts and other payables.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Company's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

	2021			2020		
	Not credit impaired QR'000	Credit impaired QR'000	Total QR'000	Not credit impaired QR'000	Credit impaired QR'000	Total QR'000
Accounts receivable	1,573,434	128,694	1,702,128	1,408,576	133,948	1,542,524
Other receivables	593,614	-	593,614	591,021	-	591,021
Due from related parties	1,058	-	1,058	9,142	-	9,142
Cash and bank balances	1,795,865	-	1,795,865	1,881,251	-	1,881,251
	<u>3,963,971</u>	<u>128,694</u>	<u>4,092,665</u>	<u>3,889,990</u>	<u>133,948</u>	<u>4,023,938</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

35. Financial instruments and risk management (continued)

Credit risk (continued)

Ageing of the accounts receivable and impairments are as follows:

	2021		2020	
	Gross carrying amount QR'000	Provision for impairment QR'000	Gross carrying amount QR'000	Provision for impairment QR'000
Not due	1,390,390	384	1,078,665	146
Past due for 1 to 90 days	75,521	4,022	104,609	3,021
Past due for 91 to 180 days	32,794	10,888	41,434	13,826
Past due for 181 to 365 days	49,734	13,244	46,146	7,918
Past due for more than 365 days	153,689	100,156	271,670	109,037
	1,702,128	128,694	1,542,524	133,948

The accounts receivable from property sales represents the receivables related to the sale of land and property units against which the title to the underlying property is held as a security. The management considers the value of the underlying property when assessing ECL provision.

Amounts due from related parties are dues from counterparties that are under the control of the shareholders of the Company. As a result, ECL on these receivables is expected to be minimal.

Other receivables are expected to be recovered in full and therefore management does not expect collection loss. As a result, ECL on other receivables is expected to be minimal.

The Company limits its exposure to credit risk from accounts and other receivables by:

- evaluating the creditworthiness of each counter-party prior to entering into contracts;
- establishing maximum payment periods for each customer, which are reviewed regularly; and
- periodically reviewing the collectability of its trade receivables for identification of any impaired amounts.

The Company uses an allowance matrix to measure the ECLs of its trade receivables from individual customers. The ECLs are probability-weighted estimate of the present value of credit losses that are measured as the present value of the difference between the cash flows due to the Group under respective contracts and the cash flows the Group expects to receive arising from the weighting of multiple present and future economic factors.

Cash and bank balances are not credit impaired as ECL is expected to be insignificant. At the reporting date, the Group's cash balances are held with reputed banks that are independently rated by credit rating agencies, details as follows:

Credit rating	2021	2020
	QR'000	QR'000
A2	184,093	89,128
A3	1,561,469	1,649,847
Aa3	49,292	123,654
Other	1,011	18,622
	1,795,865	1,881,251

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

35. Financial instruments and risk management (continued)

Liquidity risk

The following are the contractual maturities of non-derivative financial liabilities and the impact of netting agreements. As at the reporting date, carrying amounts are approximately equal to their respective contractual cash flows.

	Less than one year	Between 2 – 5 years	More than 5 years	Total
31 December 2021:				
Loans and borrowings	1,528,592	2,692,980	342,159	4,563,731
Accounts and other payables	927,861	114,240	-	1,042,101
Retention payables	112,943	181,575	-	294,518
Lease liabilities	2,889	9,273	-	12,162
Income tax liabilities	5,310	-	-	5,310
	<u>2,577,595</u>	<u>2,998,068</u>	<u>342,159</u>	<u>5,917,822</u>
31 December 2020:				
Loans and borrowings	630,744	2,883,256	375,012	3,889,012
Accounts and other payables	852,745	97,675	-	950,420
Retention payables	115,205	106,731	-	221,936
Lease liabilities	1,411	378	5,656	7,445
Income tax liabilities	8,318	-	-	8,318
	<u>1,608,423</u>	<u>3,088,040</u>	<u>380,668</u>	<u>5,077,131</u>

Market risk

Interest rate risk

At the reporting date, interest rate profile and carrying amounts of the Group's interest-bearing financial instruments were as follows:

	2021 QAR'000	2020 QAR'000
Fixed and variable rate instruments		
Time deposits	1,459,762	1,483,523
Term loans	<u>(4,563,731)</u>	<u>(3,889,012)</u>

Interest rate sensitivity analysis

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease/increase by QR 22.5 million (2020: QR 14 million).

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 are pegged to the Qatari Riyal.

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.

Equity price sensitivity analysis

A 10% increase/decrease in equity prices, with all other variables held constant, would cause a decrease/increase of QR 5 million in the Group's profit for the year ended 31 December 2021 (2020: QR 5.2 million).

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

36. Fair values of assets and financial instruments

Financial assets consist of investment securities, cash and bank balances, financial assets at fair value through profit or loss and receivables. Financial liabilities consist of loans and borrowings, payables, and accrued expenses.

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

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The management considers the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements are approximate to their fair values. The entire portfolio of investment securities (Note 14) is classified as Level 1, property, plant and equipment (Note 9) is classified as Level 3 and investment properties (Note 10) are classified under Level 2 and Level 3.

37. Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require separate business strategies. For each of the strategic business units, the Group reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

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

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

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

37. Operating segments (continued)

Geographical segments

The Group has not diversified its activities outside of the State of Qatar except for United Development Investment Company (established in Cayman Island), which does not have any material operations outside Qatar. Majority of the Group assets are in the State of Qatar, accordingly, there are no distinctly identifiable geographical segments in the Group for the year ended 31 December 2021.

	Urban development QR'000	Hospitality and leisure QR'000	Infrastructure and utilities QR'000	Others QR'000	Inter- segment elimination QR'000	Total QR'000
2021:						
Real estate revenue	1,403,668	-	-	-	(32,014)	1,371,654
Capacity charges	-	-	207,078	-	-	207,078
Consumption & ETS sale	-	-	234,093	-	(4,757)	229,336
Marina operations	-	-	34,691	-	-	34,691
Food and beverage sale	-	21,740	-	-	-	21,740
Others	-	-	-	200,770	(26,842)	173,928
Total revenue	<u>1,403,668</u>	<u>21,740</u>	<u>475,862</u>	<u>200,770</u>	<u>(63,613)</u>	<u>2,038,427</u>
Finance income	61,819	12	7,758	1,991	-	71,580
Finance costs	(111,319)	(161)	(16,155)	-	8,811	(118,824)
Depreciation	(38,566)	(2,193)	(61,553)	(431)	-	(102,743)
Net share of results in associates	1,121	-	-	-	-	1,121
Profit/(loss) for the year	<u>212,938</u>	<u>(10,133)</u>	<u>104,667</u>	<u>41,755</u>	<u>6,387</u>	<u>355,614</u>
Segment assets	17,586,516	22,999	2,359,594	242,423	(209,728)	20,001,804
Segment liabilities	<u>7,414,301</u>	<u>12,293</u>	<u>1,436,775</u>	<u>230,188</u>	<u>(166,157)</u>	<u>8,927,400</u>

United Development Company Q.P.S.C.

Notes to the consolidated financial statements as at and for the year ended 31 December 2021 (continued)

37. Operating segments (continued)

Geographical segments (continued)

	Urban development QR'000	Hospitality and leisure QR'000	Infrastructure and utilities QR'000	Others QR'000	Inter- segment elimination QR'000	Total QR'000
2020:						
Real estate revenue	671,090	-	-	-	(45,186)	625,904
Capacity charges	-	-	203,282	-	-	203,282
Consumption & ETS sale	-	-	147,778	-	(20,327)	127,451
Marina operations	-	-	31,181	-	-	31,181
Food and beverage sale	-	21,912	-	-	-	21,912
Others	-	-	-	165,962	-	165,962
Total revenue	<u>671,090</u>	<u>21,912</u>	<u>382,241</u>	<u>165,962</u>	<u>(65,513)</u>	<u>1,175,692</u>
Finance income	29,352	6	7,628	2,226	-	39,212
Finance costs	(102,488)	(112)	(21,980)	-	9,086	(115,494)
Depreciation	(41,103)	(2,413)	(60,867)	(508)	-	(104,891)
Net share of results in associates	5,865	-	-	-	-	5,865
Profit/(loss) for the year	<u>89,121</u>	<u>(11,487)</u>	<u>88,424</u>	<u>58,040</u>	<u>40,826</u>	<u>264,924</u>
Segment assets	17,158,140	19,597	2,274,786	245,708	(222,047)	19,476,184
Segment liabilities	<u>6,660,998</u>	<u>13,236</u>	<u>1,440,722</u>	<u>215,468</u>	<u>(176,019)</u>	<u>8,154,405</u>

38. 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.

39. Impact of Covid-19

The coronavirus ("COVID-19") pandemic has spread across various regions globally, causing disruptions to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various fiscal and stimulus measures across the globe to counter possible adverse implications.

The Group has taken adequate measures to ensure business continuity during the pandemic period. Further, the management has assessed the accounting implications of these developments on the financial statements wherever applicable, including but not limited to the impairment of property, plant, and equipment under IAS 36 'Impairment of Asset', expected credit losses under IFRS 9 'Financial instruments', net realizable value of inventory under IAS 2 'Inventories', Fair value of investment properties under 'IAS 40' and contingent liabilities under IAS 37 'Provisions, contingent liabilities and contingent assets'. The management has ensured that all necessary steps have been taken to ensure the smooth and adequate continuation of its business in order to maintain business performance despite the hindered economic activity.

Based on the assessment, the management is of the view that there is no material impact of COVID-19 on the carrying amounts of assets and liabilities as at 31 December 2021. The management will continue to monitor the potential impact and take necessary steps to mitigate any negative effects.