

United Development Company Q.S.C.

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 JUNE 2014

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of United Development Company Q.S.C (the “Company”) and its subsidiaries (referred together as the “Group”) as of 30 June 2014 and related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes.

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

Scope of Review

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

Conclusion

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

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

Date: 23 July 2014
Doha

United Development Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	<i>Notes</i>	<i>For the Six Months Ended 30 June</i>	
		2014 (Reviewed) QR'000	2013 (Reviewed) QR'000
Revenue		1,108,685	1,269,955
Cost of revenue		(406,546)	(761,709)
Gross profit		702,139	508,246
Dividend income		15,744	26,044
Gain on sale of available-for-sale investments		-	176
Other income		30,800	70,934
General, administrative, sales and marketing expenses		(176,239)	(142,886)
Loss on impairment of available-for-sale investments		-	(2,911)
Results from operating activities		572,444	459,603
Finance income		10,016	9,804
Finance costs		(70,656)	(32,224)
Net finance income and costs		(60,640)	(22,420)
Net share of results of associates		9,249	(47,822)
Profit for the period		521,053	389,361
Profit attributable to :			
Equity holders of the parent		498,860	325,412
Non-controlling interest		22,193	63,949
		521,053	389,361
Basic earnings per share			
Basic earnings per share	6	1.41	0.92

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

United Development Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		<i>For the Six Months Ended 30 June</i>	
		2014	2013
	<i>Notes</i>	(Reviewed)	(Reviewed)
		QR'000	QR'000
Profit for the period		521,053	389,361
Net change in fair value of available-for-sale financial investments	15	44,142	21,256
Net movement in cash flow hedge reserve	15	-	90
Total comprehensive income for the period		565,195	410,707
Total comprehensive income attributable to:			
Equity holders of the parent		543,002	346,758
Non-controlling interest		22,193	63,949
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		565,195	410,707

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

United Development Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment	7	3,874,535	3,823,522
Investment properties	8	7,786,363	7,290,596
Intangible assets	9	5,254	6,097
Investment in associates	10	300,451	342,162
Accounts and other receivables - long term		18,071	18,071
Available-for-sale investments	11	481,004	436,862
Total non-current assets		12,465,678	11,917,310
Current assets			
Inventories		2,392,202	3,096,329
Assets held for sale	12	20,357	20,357
Accounts and other receivables, net – short term		2,240,644	1,728,912
Cash and cash equivalents	13	1,649,578	2,001,915
Total current assets		6,302,781	6,847,513
TOTAL ASSETS		18,768,459	18,764,823
Equity and liabilities			
Equity			
Share capital	14	3,540,862	3,372,250
Legal reserve		1,439,568	1,389,682
Other reserves	15	1,656,769	1,612,627
Retained earnings		4,000,277	4,057,140
Equity attributable to equity holders of the parent		10,637,476	10,431,699
Non-controlling interest		318,568	315,386
Total equity		10,956,044	10,747,085
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	16	3,772,554	4,048,320
Retention payable		130,864	122,409
Accounts and other payables – long term		54,021	42,554
Employees' end of service benefits		30,473	29,475
Total non-current liabilities		3,987,912	4,242,758
Current liabilities			
Accounts and other payables – short term		2,345,438	2,313,018
Interest bearing loans and borrowings	16	1,281,610	1,191,450
Retention payable		197,455	270,512
Total current liabilities		3,824,503	3,774,980
Total liabilities		7,812,415	8,017,738
TOTAL EQUITY AND LIABILITIES		18,768,459	18,764,823

These interim condensed consolidated financial statements were approved by the Board of Directors and were signed on their behalf by the following on 23 July 2014.

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

Abdulrahman Abdullah Al -Abdul Ghani
Vice Chairman of the Board

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

United Development Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	<i>Attributable to equity holders of the parent</i>					<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>	<i>QR '000</i>	<i>QR '000</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>(Note 15)</i>	<i>QR '000</i>	<i>QR '000</i>		
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
Balance at 1 January 2014 (Audited)	3,372,250	1,389,682	1,612,627	4,057,140	10,431,699	315,386	10,747,085
Profit for the period	-	-	-	498,860	498,860	22,193	521,053
Other comprehensive income							
Net change in fair value of available-for-sale investments	-	-	44,142	-	44,142	-	44,142
Total other comprehensive income	-	-	44,142	-	44,142	-	44,142
Total comprehensive income for the period	-	-	44,142	498,860	543,002	22,193	565,195
Distribution of bonus shares	168,612	-	-	(168,612)	-	-	-
Dividend declared	-	-	-	(337,225)	(337,225)	(17,787)	(355,012)
Transfer to legal reserve	-	49,886	-	(49,886)	-	-	-
Change in non-controlling interest	-	-	-	-	-	(1,224)	(1,224)
Total transactions with owners	168,612	49,886	-	(555,723)	(337,225)	(19,011)	(356,236)
Balance at 30 June 2014 (Reviewed)	3,540,862	1,439,568	1,656,769	4,000,277	10,637,476	318,568	10,956,044

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

United Development Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2014

	<i>Attributable to equity holders of the parent</i>					<i>Non-controlling interest</i>	<i>Total Equity</i>
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>		
Balance at 1 January 2013 (Audited)	3,372,250	1,357,404	1,581,334	4,111,562	10,422,550	827,149	11,249,699
Profit for the period	-	-	-	325,412	325,412	63,949	389,361
Other comprehensive income							
Net change in fair value of available-for-sale investments	-	-	21,256	-	21,256	-	21,256
Change in cash flow hedge reserve	-	-	90	-	90	-	90
Total other comprehensive income	-	-	21,346	-	21,346	-	21,346
Total comprehensive income for the period	-	-	21,346	325,412	346,758	63,949	410,707
Transfer to legal reserve	-	32,541	-	(32,541)	-	-	-
Dividend declared	-	-	-	(337,225)	(337,225)	(16,170)	(353,395)
Change in non-controlling interest	-	-	-	386	386	(386)	-
Total transactions with owners	-	32,541	-	(369,380)	(336,839)	(16,556)	(353,395)
Balance at 30 June 2013 (Reviewed)	3,372,250	1,389,945	1,602,680	4,067,594	10,432,469	874,542	11,307,011

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

United Development Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	30 June 2014 (Reviewed) QR'000	30 June 2013 (Reviewed) QR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		521,053	389,361
Adjustments for:			
Net share of results of associates		(9,249)	47,822
Depreciation and amortization	7 & 9	51,271	49,329
(Profit) loss on disposal of property, plant & equipment		(32)	10,175
Gain on sale of available-for-sale investments		-	(176)
Net finance income and costs		60,640	22,420
Loss on impairment of available-for-sale investments		-	2,911
Dividend income		(15,744)	(26,044)
Write off of assets	7	2,113	-
Provision for employees' end of service benefits		4,127	4,731
Operating profit before working capital changes		614,179	500,529
Changes in working capital:			
Inventories		218,383	(963,089)
Work in progress		-	1,540,874
Accounts and other receivables		(513,096)	(213,634)
Accounts and other payables		33,551	(25,582)
Retentions payable		(64,602)	(2,391)
Cash from operating activities		288,415	836,707
Finance cost paid		(66,442)	(29,153)
Employees' end of service benefits paid		(3,374)	(3,299)
Net cash flows from operating activities		218,599	804,255
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	7	(113,194)	(423,257)
Proceeds from sale of property, plant and equipment		429	560
Sales proceeds from sale of available-for-sale investments		-	1,028
Finance income		11,380	15,015
Dividend income		15,744	26,044
Additions to investment property	8	(780)	(114,567)
Movement in time deposits maturing after three months		(482,809)	(12,026)
Dividend received from associate companies		50,960	50,000
Net cash flow used in investing activities		(518,270)	(457,203)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans	16	867	859,697
Repayment of term loans	16	(191,087)	(2,016,675)
Dividend paid		(344,031)	(338,634)
Net movement in non-controlling interest		(1,224)	-
Net cash flow used in financing activities		(535,475)	(1,495,612)
Net decrease in cash and cash equivalents		(835,146)	(1,148,560)
Cash and cash equivalents at the beginning of the period		1,890,879	2,265,843
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	1,055,733	1,117,283

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

United Development Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

United Development Company Q.S.C. (the “Company”) was incorporated as a Qatari Shareholding Company in accordance with the Emiri Decree number (2) on 2 February 1999.

The registered office of the Company is situated in Doha, State of Qatar.

The interim condensed consolidated financial statements of the Group as at 30 June 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates.

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

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

The interim condensed consolidated financial statements of United Development Company Q.S.C for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of the Directors on 23 July 2014.

2 STATEMENT OF COMPLIANCE

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

They do not include all of the information required for a full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2013.

The interim condensed consolidated financial statements are prepared and presented in Qatari Riyals rounded to nearest thousands (QR’000) except when otherwise indicated.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available upon request from the Company’s registered office or at www.udcqatar.com.

3 SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

During the period, the Group has adopted the following standards effective for the annual period beginning on or after 1 January 2014.

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

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

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

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Group.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

The following amendments to standards became effective in 2014, but did not have any impact on the accounting policies, financial position or performance of the Group.

<i>Standard/Interpretation</i>	<i>Content</i>
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendment)
IFRIC 21	Levies

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

United Development Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of United Development Company Q.S.C. and all its subsidiaries as at 30 June 2014. The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent company, using consistent accounting policies. The interim condensed consolidated financial statements include the financial information of United Development Company Q.S.C. and its below listed subsidiaries.

	<i>Country of incorporation</i>	<i>% equity interest</i>	
		2014	2013
Qatar District Cooling Company Q.C.S.C	Qatar	51	51
Ronautica Middle East O.M.C.	Qatar	100	100
The Pearl Qatar Company O.M.C.	Qatar	100	100
Hospitality Development Company O.M.C.	Qatar	100	100
United Fashion Company O.M.C.	Qatar	100	100
Madina Centrale Company O.M.C.	Qatar	100	100
Abraj Quartier Company O.M.C.	Qatar	100	100
United Facilities Management Company O.M.C	Qatar	100	100
Scoop Media and Communication Company O.M.C.	Qatar	100	100
Pragmatech Company O.M.C.	Qatar	100	100
Glitter O.M.C	Qatar	100	100
Enterprise Development Company	Republic of Turkey	100	100
Insure Plus O.M.C.	Qatar	100	100
Madina Innova O.M.C	Qatar	100	100
The Pearl Owners Corporation O.M.C	Qatar	100	100
United Development Investment Company	Cayman Island	100	100
United Facility Solution Management Company O.M.C	Qatar	100	100
Porto Arabia Retail Company 1	Cayman Island	100	100
Leisure and Resorts O.M.C	Qatar	100	100

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

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

The Pearl Qatar Company O.M.C. is engaged in real estate activities.

Hospitality Development Company O.M.C. (HDC) is engaged in the investment and management of restaurants, hotels and resorts development and sales / purchase of fast moving consumer goods in the hospitality sector. HDC consolidates Lebanese Restaurants Development LLC (84%), China Square LLC (80%), Flavour of Mexico LLC (90%), Modern Lebanese Liza Restaurant LLC (90%), The Rising Sun LLC (95.68%) and Urban Restaurant Development LLC (90%) in its consolidated financial statements. During the year 2011, the capital of the company was increased from QR 18.25 million to QR 50 million.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

United Fashion Company O.M.C. (UFC) is engaged in fashion retailing. The mandate of the Company is to acquire top international names for brand franchising in the Middle East. UFC consolidates Hiref (51%) and Rony Nacouzi (60%) in its consolidated financial statements. During the year 2011, the capital of the company was increased from QR 18.25 million to QR 80 million.

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

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

United Facilities Management Company and is engaged in facility management activity.

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

PragmaTech Company O.M.C. is engaged in providing information technology solution. During the year 2012, a decision was made to close this company's branch in Lebanon.

Glitter O.M.C. is engaged in cleaning services and related activities.

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

Insure Plus O.M.C is involved in the insurance agency, technical services, and risk related services to insurance activities.

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

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

United Development Investment Company is engaged in development related activities.

United Facility Solution Management O.M.C is engaged in providing information technology solutions.

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

Leisure and Resorts O.M.C is under incorporation and will engage in resort operations and development activities.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group consolidates all the entities where it has the power to govern the financial and operating policies.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit recognised on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

4 ESTIMATES

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at ended 31 December 2013.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at 31 December 2013.

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

	<i>For the Six Months Ended</i>	
	<i>30 June</i>	
	2014	2013
	(Reviewed)	(Reviewed)
	QR'000	QR'000
Profit for the period attributable to the owners of the parent	498,860	325,412
Weighted average number of shares outstanding during the period ('000)	354,086	354,086
Basic and diluted earnings per share (QR)	1.41	0.92

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

United Development Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

7 PROPERTY, PLANT AND EQUIPMENT

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Net carrying value at 1 January	3,823,522	4,027,647
Additions	113,194	494,418
Revaluation gain	-	10
Written off	(2,113)	(41,881)
Transfers	(9,243)	(469,951)
Depreciation	(50,428)	(111,800)
Impairment including revaluation loss	-	(69,392)
Net disposal	(397)	(5,529)
Net carrying value at the end of the period/year	<u>3,874,535</u>	<u>3,823,522</u>

8 INVESTMENT PROPERTIES

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Balance at 1 January	7,290,596	6,401,173
Additions	780	91,754
Transfers	494,987	797,669
Balance at the end of the period/year	<u>7,786,363</u>	<u>7,290,596</u>

9 INTANGIBLE ASSETS

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Balance at 1 January	6,097	11,055
Additions	-	427
Impairment	-	(3,479)
Amortisation	(843)	(1,906)
Balance at the end of the period/year	<u>5,254</u>	<u>6,097</u>

United Development Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

10 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	<i>Country of incorporation</i>	<i>Shareholding</i>	30 June 2014 (Reviewed) QR'000	31 December 2013 (Audited) QR'000
Middle East Dredging Company Q.S.C. (a)	Qatar	45.9%	-	-
Al-Seef Limited Q.S.C.	Qatar	20%	258,381	302,360
United Readymix W.L.L.	Qatar	32%	40,501	38,056
ASTECO Qatar	Qatar	30%	1,569	1,746
			300,451	342,162

- (a) Middle East Dredging Company Q.S.C. (the associate) is involved in project related dredging and reclamation activities in the Gulf states and other neighbouring countries.

The associate sustained losses relating to the Satah Al Razboot (SARB) Project. The project has been characterised by various delays and difficulties resulting in a cost overrun on the part of the associate. The management of the associate has submitted a claim to the counterparty in an effort to recover a portion of the cost overruns and the settlement amount is under negotiation. As a result the 45.9% equity holding in the associate is impaired in full as at 31 December 2013.

11 AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2014 (Reviewed) QR'000	31 December 2013 (Audited) QR'000
Available-for-sale investments – quoted shares	477,004	432,862
Available-for-sale investments – unquoted shares	4,000	4,000
	481,004	436,862

12 ASSETS HELD FOR SALE

	30 June 2014 (Reviewed) QR'000	31 December 2013 (Audited) QR'000
Balance at 1 January	20,357	50,111
Impairment loss	-	(29,754)
Balance at the end of the period/ year	20,357	20,357

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At 30 June 2014

13 CASH AND CASH EQUIVALENTS

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Cash at bank and in hand	389,779	675,262
Time deposits	<u>1,259,799</u>	<u>1,326,653</u>
Total cash and cash equivalents	1,649,578	2,001,915
Less: reserves / time deposits maturing after 90 days	<u>(593,845)</u>	<u>(111,036)</u>
Cash and cash equivalents as per statement of cash flows	<u><u>1,055,733</u></u>	<u><u>1,890,879</u></u>

14 SHARE CAPITAL

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Authorised, issued and fully paid up capital: 354,086,250 ordinary shares of QR 10 each (2013 : 337,225,000 shares of QR 10 each)	<u><u>3,540,862</u></u>	<u><u>3,372,250</u></u>
Number of shares ('000)		
On issue as at the beginning of the period/year	<u>337,225</u>	<u>337,225</u>
On issue as at the end of the period/year	<u><u>354,086</u></u>	<u><u>337,225</u></u>

At 30 June 2014, the authorised share capital comprised 354,086,250 ordinary shares (2013: 337,225,000 ordinary shares). All shares have a par value of QR 10 and all issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets.

During 2014, the authorised, issued and fully paid up capital was increased by way of an issue of 16,861,250 bonus shares for the value of QR 168,612,500.

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15 OTHER RESERVES

	<i>Fair value reserve QR'000</i>	<i>Cash flow hedge reserve QR'000</i>	<i>Asset revaluation reserve QR'000</i>	<i>Total 30 June 2014 (Reviewed) QR'000</i>	<i>Total 31 December 2013 (Audited) QR'000</i>
Balance at 1 January	81,771	(6,317)	1,537,173	1,612,627	1,581,334
Increase/(decrease)	<u>44,142</u>	<u>-</u>	<u>-</u>	<u>44,142</u>	<u>31,293</u>
Balance as at the end of the period/year	<u>125,913</u>	<u>(6,317)</u>	<u>1,537,173</u>	<u>1,656,769</u>	<u>1,612,627</u>

Fair value reserve

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

Cash flow hedge reserve

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

Asset revaluation reserve

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

16 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Balance at 1 January	5,274,891	5,388,620
Draw downs	867	1,159,500
Repayments	<u>(191,087)</u>	<u>(1,273,229)</u>
	5,084,671	5,274,891
Less: Unamortised finance cost associated with raising finance	<u>(30,507)</u>	<u>(35,121)</u>
Balance as at the end of the period/year	<u>5,054,164</u>	<u>5,239,770</u>
Presented in the interim consolidated statement of financial position as:		
Current liability	1,281,610	1,191,450
Non-current liability	<u>3,772,554</u>	<u>4,048,320</u>
	<u>5,054,164</u>	<u>5,239,770</u>

17 OPERATING SEGMENTS

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

Urban Development: This includes real estate development and constructions activities.

Hydrocarbon & Energy: This includes production and sale of chemicals and hydrocarbon materials.

Hospitality & Leisure: This includes investment and development of hotel leisure facilities and selling of luxurious items.

Infrastructure & Utilities: This includes construction and management of district cooling systems and marina activities.

Other operations include providing advertising and information technology solution services, real estate brokering services, insurance agency services and e-payment protocol services. The accounting policies of the reportable segments are the same as described in note 3.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Geographical segments

The Group has not diversified its activities outside the State of Qatar except for the Enterprise Development Company (established in the Republic of Turkey), United Development Investment Company (established in Cayman Island) and Porto Arabia Retail Company 1 (established in Cayman Island). However these companies do not have any material operations outside Qatar and therefore majority of the Group assets are located in Qatar. Accordingly there are no distinctly identifiable geographical segments in the Group for the period ended 30 June 2014.

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At 30 June 2014

17 OPERATING SEGMENTS (CONTINUED)

	<i>Urban Development</i>		<i>Hydro Carbon & Energy</i>		<i>Hospitality & Leisure</i>		<i>Infrastructure & Utilities</i>		<i>Others</i>		<i>Total</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
External revenue	879,861	1,032,081	-	-	33,898	36,402	149,567	169,165	45,359	32,307	1,108,685	1,269,955
Inter segment revenue	17,551	16,477	-	-	129	184	14,209	9,275	41,184	45,816	73,073	71,752
Interest income	8,835	8,688	-	-	54	85	1,127	988	-	43	10,016	9,804
Interest expense	63,648	24,887	-	-	178	232	6,830	7,105	-	-	70,656	32,224
Depreciation	14,944	20,148	-	-	5,154	3,447	28,467	25,890	1,863	5,891	50,428	55,376
Profit/(loss) for the period	566,303	477,646	-	-	(15,101)	(14,012)	49,600	65,486	6,372	118	607,174	529,238
Net share of results of associates	3,404	(62,354)	6,021	14,525	-	-	-	-	(176)	7	9,249	(47,822)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

17 OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues and profit or loss:

Revenue

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>30 June 2013 (Reviewed) QR'000</i>
Total revenue for reportable segments	1,181,758	1,341,707
Elimination of inter-segment revenue	(73,073)	(71,752)
Consolidated revenue	<u>1,108,685</u>	<u>1,269,955</u>

Profit or loss

	<i>30 June 2014 (Reviewed) QR'000</i>	<i>30 June 2013 (Reviewed) QR'000</i>
Total profit or loss for reportable segments	607,174	529,238
Elimination of inter-segment profits	(95,370)	(92,055)
Net share of results of associates	9,249	(47,822)
Consolidated profit for the period	<u>521,053</u>	<u>389,361</u>

18 FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments as at 30 June 2014 and 31 December 2013:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>	<i>30 June 2014 (Reviewed) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Financial assets				
Cash and cash equivalents	1,649,578	2,001,915	1,649,578	2,001,915
Accounts and other receivables, net	2,258,715	1,746,983	2,258,715	1,746,983
Available-for-sale investments	481,004	436,862	481,004	436,862
	<u>4,389,297</u>	<u>4,185,760</u>	<u>4,389,297</u>	<u>4,185,760</u>
Financial liabilities				
Accounts and other payables	2,399,459	2,355,572	2,399,459	2,355,572
Interest bearing loans and borrowings	5,054,164	5,239,770	5,054,164	5,239,770
Retentions payable	328,319	392,921	328,319	392,921
	<u>7,781,942</u>	<u>7,988,263</u>	<u>7,781,942</u>	<u>7,988,263</u>

18 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

As at 30 June 2014 and 31 December 2013, the Group held the following classes of financial instruments measured at fair value:

Financial assets

	<i>30 June 2014</i>			
	<i>(Reviewed)</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available-for-sale financial assets	<u>477,004</u>	<u>477,004</u>	<u>-</u>	<u>-</u>
	<u>477,044</u>	<u>477,004</u>	<u>-</u>	<u>-</u>
	<i>31 December 2013</i>			
	<i>(Audited)</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available-for-sale financial assets	<u>432,862</u>	<u>432,862</u>	<u>-</u>	<u>-</u>
	<u>432,862</u>	<u>432,862</u>	<u>-</u>	<u>-</u>

19 CONTINGENCIES AND COMMITMENTS

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