

United Development Company
(Public Shareholding Company)

Consolidated financial statements

31 December 2011

United Development Company P.S.C.

**Consolidated financial statements
For the year ended 31 December 2011**

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**Independent auditors' report
to the shareholders of United Development Company P.S.C.**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of United Development Company (P.S.C.) (the "Company"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the Directors for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. The Group has maintained proper accounting records and the financial statements are in agreement therewith and a physical count of inventories was carried out in accordance with established principles. We reviewed the accompanying report of the board of directors and confirm that the financial information contained thereon is in agreement with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2011.

25 January 2012
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No.251

United Development Company P.S.C.

**Consolidated statement of income
For the year ended 31 December 2011**

In Qatari Riyals '000s

	Note	2011	2010
Revenue		1,906,678	1,419,700
Cost of revenue		<u>(1,123,070)</u>	<u>(843,513)</u>
Gross profit		783,608	576,187
Fair value gain on revaluation of investment properties	10	3,057,235	-
Dividend income		28,013	37,716
Other income	6	144,944	64,066
Gain from sale of investments in equity instruments		-	(5,433)
Sales and marketing expenses		(48,522)	(43,119)
General and administrative expenses	7	<u>(184,716)</u>	<u>(94,389)</u>
Results from operating activities		<u>3,780,562</u>	<u>535,028</u>
Finance income		14,200	10,649
Finance costs		<u>(43,061)</u>	<u>(31,072)</u>
Net finance cost		<u>(28,861)</u>	<u>(20,423)</u>
Net share of results of associates		19,825	102,222
Profit for the year		<u>3,771,526</u>	<u>616,827</u>
Profit attributable to:			
Owners of the Company		3,746,604	597,042
Non-controlling interest		<u>24,922</u>	<u>19,785</u>
Profit for the year		<u>3,771,526</u>	<u>616,827</u>
Earnings per share			
Basic and diluted earnings per share (Restated)	8	<u>23.29</u>	<u>3.71</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company P.S.C.

**Consolidated statement of financial position
As at 31 December 2011**

In Qatari Riyals '000s

	Note	2011	2010
Assets			
Non-current assets			
Property, plant and equipment	9	4,033,134	3,049,703
Investment property	10	6,318,835	1,346,528
Intangible assets	11	11,625	9,934
Investments in associates	12	676,439	705,947
Long term receivables	13	2,406	5,972
Available-for-sale investments	14	404,384	463,447
Total non-current assets		<u>11,446,823</u>	<u>5,581,531</u>
Current assets			
Inventories	15	2,803,570	209,261
Work in progress	16	2,316,832	3,941,082
Accounts and other receivables	17	1,468,120	773,395
Cash and cash equivalents	18	1,020,414	372,453
Total current assets		<u>7,608,936</u>	<u>5,296,191</u>
Total assets		<u>19,055,759</u>	<u>10,877,722</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	19	1,608,750	1,340,625
Legal reserve	20	804,375	772,946
Other reserves	21	1,547,197	441,526
Retained earnings		4,185,343	831,958
Total equity attributable to owners of the Company		<u>8,145,665</u>	<u>3,387,055</u>
Non-controlling interest		706,306	575,031
Total equity		<u>8,851,971</u>	<u>3,962,086</u>
Liabilities			
Non-current liabilities			
Term loans	24	4,541,646	3,497,822
Retention payable	25	393,663	331,355
Employees' end of service benefits	26	22,602	16,315
Total non-current liabilities		<u>4,957,911</u>	<u>3,845,492</u>
Current liabilities			
Accounts and other payables	27	3,422,829	1,772,165
Term loans	24	1,594,810	1,041,763
Retention payable	25	228,238	256,216
Total current liabilities		<u>5,245,877</u>	<u>3,070,144</u>
Total liabilities		<u>10,203,788</u>	<u>6,915,636</u>
Total equity and liabilities		<u>19,055,759</u>	<u>10,877,722</u>

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 25 January 2012.

Hussain Al Fardan
Chairman of the Board

Khalil Sholy
Managing Director & President

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company P.S.C.

**Consolidated statement of comprehensive income
For the year ended 31 December 2011**

In Qatari Riyals '000s

	2011	2010
Profit for the year	3,771,526	616,827
Other comprehensive income		
Revaluation of property, plant and equipment	1,169,267	-
Net change in fair value of available-for-sale investments	(59,064)	140,686
Change in cash flow hedge reserve	(4,532)	-
Total comprehensive income for the year	<u>4,877,197</u>	<u>757,513</u>
Total comprehensive income attributable to:		
Owners of the Company	4,852,275	737,728
Non-controlling interest	<u>24,922</u>	<u>19,785</u>
Total comprehensive income for the year	<u>4,877,197</u>	<u>757,513</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company P.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2011

In Qatari Riyals '000s

	Attributable to the owners of the Company				Total	Non-controlling interest	Total equity
	Share Capital	Legal reserve	Other reserves (Note 21)	Retained earnings			
Balance at 1 January 2010	1,072,500	772,946	300,840	517,967	2,664,253	440,281	3,104,534
Total comprehensive income for the year							
Profit for the year	-	-	-	597,042	597,042	19,785	616,827
Other comprehensive income							
Net change in fair value of available - for - sale investments	-	-	140,686	-	140,686	-	140,686
Total other comprehensive income	-	-	140,686	-	140,686	-	140,686
Total comprehensive income for the year	-	-	140,686	597,042	737,728	19,785	757,513
Distribution of bonus shares	268,125	-	-	(268,125)	-	-	-
Contribution to social and sports fund	-	-	-	(14,926)	(14,926)	-	(14,926)
Contribution from non-controlling interest	-	-	-	-	-	114,965	114,965
Balance at 31 December 2010	<u>1,340,625</u>	<u>772,946</u>	<u>441,526</u>	<u>831,958</u>	<u>3,387,055</u>	<u>575,031</u>	<u>3,962,086</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company P.S.C.

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2011

In Qatari Riyals '000s

	Attributable to the Owners of the Company				Total	Non-controlling interest	Total equity
	Share Capital	Legal reserve	Other reserves (Note 21)	Retained earnings			
Balance at 1 January 2011	1,340,625	772,946	441,526	831,958	3,387,055	575,031	3,962,086
Total comprehensive income for the year							
Profit for the year	-	-	-	3,746,604	3,746,604	24,922	3,771,526
Other comprehensive income							
Net change in fair value of available- for-sale investments	-	-	(59,064)	-	(59,064)	-	(59,064)
Change in cash flow hedge reserve	-	-	(4,532)	-	(4,532)	-	(4,532)
Revaluation surplus	-	-	1,169,267	-	1,169,267	-	1,169,267
Total other comprehensive income	-	-	1,105,671	-	1,105,671	-	1,105,671
Total comprehensive income for the year	-	-	1,105,671	3,746,604	4,852,275	24,922	4,877,197
Distribution of bonus shares	268,125	-	-	(268,125)	-	-	-
Transfer to legal reserve	-	31,429	-	(31,429)	-	-	-
Contribution to social and sports fund	-	-	-	(93,665)	(93,665)	-	(93,665)
Contribution from non-controlling interest	-	-	-	-	-	106,353	106,353
Balance at 31 December 2011	1,608,750	804,375	1,547,197	4,185,343	8,145,665	706,306	8,851,971

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company P.S.C.

**Consolidated statement of cash flows
For the year ended 31 December 2011**

In Qatari Riyals '000s

	Note	2011	2010
Cash flows from operating activities			
Profit for the year		3,771,526	616,827
<i>Adjustments for:</i>			
Net share of results of associates		(19,825)	(102,222)
Depreciation and amortisation	9 & 11	56,208	51,021
Loss/(Profit) on disposal of assets		138	(1)
Results from sale of available-for-sale investments		-	5,433
Revaluation gain on investment property	10	(3,057,235)	-
Net finance cost		28,861	20,423
Dividend income		(28,013)	(37,716)
Provision for employees' end of service benefits	26	8,256	7,509
		<u>759,916</u>	<u>561,274</u>
<i>Working capital changes</i>			
Long term receivables		3,566	1,543
Inventories		(860,996)	(67,762)
Work in progress		(1,473,734)	(1,157,153)
Accounts and other receivables		(585,699)	53,163
Accounts and other payables		1,548,806	(246,768)
Retention payable		39,505	23,205
Cash used in operating activities		<u>(568,636)</u>	<u>(832,498)</u>
Employees' end of service benefits paid	26	(1,969)	(1,202)
Finance cost paid		(49,693)	(34,750)
Net cash used in operating activities		<u>(620,298)</u>	<u>(868,450)</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(237,836)	(587,374)
Proceeds from sale of property, plant and equipment		29,793	59
Time deposits with maturities more than three months		(15,000)	(45,000)
Purchase of available-for-sale investments		-	(9,757)
Acquisition of intangible assets		(3,155)	(7,704)
Proceeds from sale of available-for-sale investments		-	232,866
Additions to Investment properties		(325,606)	(212,853)
Interest received		14,200	10,649
Dividend received from associates		44,800	26,399
Dividend received from other investee companies		28,013	37,716
Net cash used in investing activities		<u>(464,791)</u>	<u>(554,999)</u>
Cash flows from financing activities			
Proceeds from term loans		1,775,691	1,351,886
Repayment of term loans		(163,994)	(91,023)
Contribution from non-controlling interest		106,353	114,965
Net cash from financing activities		<u>1,718,050</u>	<u>1,375,828</u>
Net increase/(decrease) in cash and cash equivalents		632,961	(47,621)
Cash and cash equivalents at 1 January		<u>327,453</u>	<u>375,074</u>
Cash and cash equivalents at 31 December	18	<u>960,414</u>	<u>327,453</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

1 Corporate information and principal activities

United Development Company P.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 consolidated financial statements of the Company as at and for the year ended 31 December 2011 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, cleaning activities and insurance agency activities.

Pursuant to the Emiri Decree No 17 of 2004, the Company has been provided with a right to develop an island off the shore of Qatar for the sale and/or lease of properties. The Company is presently engaged in the development of this area known as "Pearl Qatar project". The Pearl Qatar project involves reclamation of land covering an area of 985 acres (4.2 million square meters) into a manmade island and the development of the island into various districts comprising housing beachfront villas, town homes, luxury apartments, retail shopping complex, penthouse, 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 in 2011.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of United Development Company P.S.C. and all its subsidiaries (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Qatar Commercial Companies' Law No 5 of 2002.

The consolidated financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 25 January 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis modified to include the measurement at fair value of available-for-sale investments, investment properties, and certain property, plant and equipment.

(c) Functional and presentation currency

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

(d) Significant accounting judgments, estimates and assumptions

Judgments

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

Impairment of available-for-sale equity investments

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

Notes to the consolidated financial statements
For the year ended 31 December 2011

2 Basis of preparation (continued)

(d) Significant accounting judgments, estimates and assumptions (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 discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Sale of properties (Land)

An estimate of the ability of the buyers to meet the financial commitment in respect of properties is made in determining the amount of revenue recognised from the sale of properties using the percentage of completion method. The percentage of completion is determined by comparing the actual costs incurred and the estimated cost to complete at the end of the reporting period.

Fair value of Land classified as property, plant and equipment

Land classified as property, plant and equipment are stated at fair value. The Group used an external, independent evaluator to determine the fair value of the land annually. The fair values are based on market values, being the estimated amounts for which land could be exchanged on a date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. However, had the land subject to fair valuation been sold to knowledgeable and willing buyers in an arm's length transactions, the realised fair value could be different from these estimates.

The land carried at fair value is disclosed in Note 9.

(e) Standards, amendments and interpretations to existing standards effective in 2011 and relevant to the Group

Revised IAS 24, 'Related party disclosures', issued in November 2009

During the period, the Group has adopted revised IAS 24 - Related Party Transactions, which clarifies and simplifies the definition of a related party and removes the requirement for Government related entities to disclose details of all the transactions with the Government and other Government related entities. The adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

Improvements to IFRS (2010)

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no significant changes to the current accounting policies of the Group as a result of these amendments.

(f) New standards and interpretations not yet adopted

The following standards and interpretations have been issued and are expected to be relevant to the Company in future periods, with effective dates on or after 1 January 2012.

2 Basis of preparation (continued)

(f) New standards and interpretations not yet adopted

IFRS 9 Financial Instruments

Standard issued November 2009

IFRS 9 (2009) 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

The Group is considering the implications of the standard, the impact on the Company and timing of its adoption by the Group.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. In its November 2011 meeting, the IASB tentatively decided to defer the mandatory effective date to 1 January 2015.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities. The Company is yet to assess IFRS 10's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time. IFRS 10 is applied retrospectively when there is a change in the control conclusion between IAS 27/SIC-12 and IFRS 10. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Group is yet to assess IFRS 12's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite is adopted at the same time. Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

Notes to the consolidated financial statements
For the year ended 31 December 2011

2 Basis of preparation (continued)

(f) New standards and interpretations not yet adopted

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

3. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of United Development Company P.S.C. and all its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The consolidated financial statements include the financial statements of United Development Company P.S.C. and its subsidiaries listed in the following table:

	Country of incorporation	% equity interest	
		2011	2010
Qatar District Cooling Company QCSC	Qatar	51	51
Millenya Inc.	Republic of Turkey	100	100
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
The Pearl Qatar Real Estate Development Fund	Cayman Island	53	53
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
Gekko LLC	Qatar	50	50
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	-
United Development Investment Company	Cayman Island	100	-
United Facility Solution Management Company O.M.C.	Qatar	100	-
Porto Arabia Retail Company 1	Cayman Island	100	-

3. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Qatar District Cooling Company QCSC is engaged in the construction, owning and operation of district cooling systems and it consolidates Installation Integrity 2006 W.L.L. (51%) and Cool Tech Qatar W.L.L.(51%) in its consolidated financial statements.

Millenya Inc. is specialised in waste water treatment facilities apart from representing reputed companies in the field of construction and health sectors. As part of the liquidation process, the Group acquired the non-controlling interest of 40% on 26 October 2009, which increased its equity interest from 60% to 100%. The management of the Group is in the process of determining the operating strategy of this subsidiary company.

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 the planning, development and operation of the Pearl Qatar.

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 (84%), China Squire LLC (80%), Flavor of Mexico LLC (90%), Modern Lebanese Liza Restaurant (90%) and Rising Sun LLC (95.68%) in its consolidated financial statements. During the year, the capital of the company was increased from QR 18.250 million to QR 50 million.

United Fashion Company O.M.C. is engaged in fashion retailing. The mandate of the Company is to acquire top international names for brand franchising in the Middle East. During the year, the capital of the company was increased from QR 18,250 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.

The Pearl Qatar Real Estate Development Fund is engaged in sale of real estate properties in the Pearl Qatar.

The Pearl Management and Operations Company O.M.C. was renamed as 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.

Gekko LLC is engaged in the E-payment protocol activities.

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

Enterprise Development Company is involved in real estate activities.

Insure plus O.M.C is involved in the insurance agency activities.

Innovative Investment O.M.C was renamed as Madina Innova O.M.C. The Company is engaged in registry and master community services at the Pearl Qatar.

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

**Notes to the consolidated financial statements
For the year ended 31 December 2011**

3. Significant accounting policies (continued)

a) Basis of consolidation (continued)

United Development Investment Company is engaged in development related activities.

United Facility Solution Management O.M.C is still under incorporation and will be engaged in providing information technology solutions.

Porto Arabia Retail Company 1 is engaged in real estate rental 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 income 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 profit and 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 an equity accounted investee or as an available-for-sale financial asset depending of the level of the influence retained.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities. Following 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, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment determined in accordance with IFRS 8 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the consolidated income statement.

**Notes to the consolidated financial statements
For the year ended 31 December 2011**

3. Significant accounting policies (continued)

(c) Investment in associates

Associates are those entities in which the Group has the significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of voting power of another entity. The Group's investments in its associates are accounted for under the equity method of accounting.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value.

The consolidated statement of income reflects the Group's share of the results of its associates after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealised gains arising from the transactions with equity-accounted investees are eliminated against the investment to the extent of 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.

(e) Revenue recognition

Revenue from sale of properties (Townhouses, apartments and villas)

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

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

Revenue from sale of goods and chilled water

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods and services have passed to the buyer and the amount of revenue can be measured reliably. For sale of chilled water, revenue comprise of available capacity and variable output provided to customers and recognized when services are provided.

Revenue from sale of land

Provided that revenue recognition criteria are met, revenue on sale of land in the Pearl Qatar is recognised using the percentage of completion method as estimated based on the actual cost incurred to total estimated cost.

Notes to the consolidated financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(e) Revenue recognition (continued)

Revenue from services

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

Profit on sale of available-for-sale investments

On sale of available-for-sale investments, gain is recognised as the difference between the carrying amount and the sum of i) consideration received and ii) any cumulative gain previously recognised directly in equity.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Fee income

Fee income is recognised on a time proportion basis.

Rental income

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

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

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to 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.

Notes to the consolidated financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

(i) Recognition and measurement (Continued)

Any revaluation surplus is recognized in other comprehensive income and presented in the revaluation reserve in equity, except to the extent that it reverses revaluation decrease of the same asset previously recognized in the profit or loss, in which case the increase is recognized in the statement of income. A revaluation deficit is recognized in the statement of income, except that deficit directly offsetting a previous surplus on the same asset 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 income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

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

(ii) Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, the property is remeasured 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 remeasurement 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 the profit or loss.

(iii) 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. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iv) 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 the 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 –25 years
Building improvement	3 – 7 years
Furniture, fixtures, equipment and instruments	3 – 7 years
Motor vehicles and boats	5 years

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

Notes to the consolidated financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(g) Intangible assets

The Group recognises an intangible asset arising from corporate branding, a brand strategy development arrangement when it has a 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. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortisation. 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.

The computer software which is not an integral part of the hardware recognised as intangible asset 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 8 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.

(h) 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.

(i) Investment properties

Investment property is property 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 subsequently at fair value with any change therein recognised in the profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, 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 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.

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

(j) Borrowing costs

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(k) Impairment

(i) Financial assets

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

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

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the profit or loss.

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than investment property and inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss, whenever the carrying amount of an asset exceeds its recoverable amount.

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

(l) Financial instruments

(i) Non-derivative financial assets

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(I) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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

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

(i) Available-for-sale investments

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are initially carried at cost. After initial recognition, investments which are classified "available-for-sale – quoted" are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale investments (see note 21), are recognised directly in equity.

On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the profit or loss for the year.

Due to the nature of the cash flows arising from the Group's unquoted investments, the fair value of investments cannot be reliably measured and consequently, these investments are carried at cost, less provision for impairment losses, if any.

Available-for-sale instruments are recognised and derecognised on a trade date basis, when the Group becomes or ceases to be a party to the contractual provisions of the instrument.

(ii) Accounts and other receivables

Accounts and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2011

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3. Significant accounting policies (continued)

(l) Financial instruments (continued)

(iii) 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.

(m) Inventories

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

(n) Work-in-progress

The work-in-progress represents the development and construction cost related to land, apartments, town houses and villas for which revenue has not been recognised by the Group. The development and construction cost include direct material, direct labour, contract related overheads and all other directly attributable cost of the development.

(o) Term loans

All the term loans are initially recognised at the fair value of the consideration received plus directly attributable transaction costs.

After initial recognition, interest bearing term loans are subsequently measured at amortised cost using the effective interest method.

(p) Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and 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 the employment. The expected costs of these benefits are accrued over the period of employment.

(q) Accounts payable and accruals

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

(r) 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.

(s) Foreign currency translation

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognised in the profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

3. Significant accounting policies (continued)

(s) Foreign currency translation (continued)

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.

(t) 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 considered as disposal group and classified as held-for-sale. Impairment loss on initial classification to held-for-sale and subsequent gain or loss on remeasurement are recognised in the profit or loss.

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

(u) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset is derecognised where:

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

Financial liabilities

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

(v) Determination of fair values

The fair value is the estimated amount for which assets could reasonably be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the buyer and seller has each acted knowledgeably, prudently and without compulsion.

3. Significant accounting policies (continued)

(v) Determination of fair values (continued)

(i) *Available-for-sale investments*

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

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

(ii) *Trade and other receivables*

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) *Non-derivative financial liabilities*

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

(iv) *Investment property*

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at each reporting date.

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

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

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

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

United Development Company P.S.C.

**Notes to the consolidated financial statements
For the year ended 31 December 2011**

**Notes to the consolidated financial statements
For the year ended 31 December 2011**

4. Financial risk management

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

- credit risk
- liquidity risk
- market risk.
- operational risk

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

(i) Credit risk

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

Accounts and other receivables

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

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

Goods are sold 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 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.

(ii) Liquidity risk

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

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(iii) 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.

(a) Currency risk

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

Notes to the consolidated financial statements
For the year ended 31 December 2011

4. Financial risk management (continued)

(iii) Market risk (continued)

(b) Equity price risk

The Group monitors the 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.

(c) Interest rate risk

The Group adopts a policy of ensuring that interest rate exposures are reviewed quarterly.

(iv) Operational risk

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

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

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

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

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

Capital management

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

5. Business combination

Acquisition of Millenya Insaat Turizm Muhendislik Musavirlik Bilgisayar Ticaret A.S. ("Millenya").

Effective from 1 January 2006, the Group acquired 60% of the voting shares of Millenya, an unlisted company based in the Republic of Turkey, specialised in biological wastewater treatment and reuse business. Apart from its core business field, Millenya has diversified into construction and health sectors.

The Group acquired the non-controlling interest in Milleniya on 26 October 2009 at its fair value.

Acquisition of additional stake in Qatar District Cooling Company QCSC ("Qatar Cool")

On 1 January 2006, the Group acquired an additional 0.5% of the voting rights of Qatar Cool, taking its ownership to 51%. Since the consideration paid is not significantly different from the share of the net assets of Qatar Cool at this date, no goodwill has been recognised in the consolidated financial statements.

Acquisition of additional stake in Ronautica Middle East O.M.C. ("Ronautica Middle East")

On 3 April 2008, the Group acquired an additional 28% of equity interest of Ronautica Middle East. Since the consideration paid is not significantly different from the share of the net assets of Ronautica Middle East at this date, no goodwill has been recognised in the consolidated financial statements.

On 26 March 2009, the Group acquired the balance 12% of equity interest of Ronautica Middle East. Since the consideration paid is not significantly different from the share of the net assets of Ronautica Middle East at this date, no goodwill has been recognised in the consolidated financial statements.

6. Other income

	2011	2010
Fee income	13,776	27,103
Miscellaneous	131,168	36,963
	<u>144,944</u>	<u>64,066</u>

7. General and administrative expenses

	2011	2010
Staff costs	73,767	33,339
Depreciation	8,058	8,173
Rent	10,560	9,170
Professional charges	3,292	18,885
Directors remuneration 2011 & 2010 (Note a.)	39,286	-
Other general and administrative expenses	49,753	24,822
	<u>184,716</u>	<u>94,389</u>

Note (a).

The directors' remuneration for the year 2011 includes QR 17,911 thousands paid relating to the year 2010.

8. Basic and diluted earnings per share

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

	2011	2010
Profit attributable to owners of the Company	<u>3,746,604</u>	<u>597,042</u>
Weighted average number of shares outstanding during the year	<u>160,875</u>	<u>160,875</u>
Basic and diluted earnings per share (QR) (Restated)	<u>23.29</u>	<u>3.71</u>

During the year the Company has increased the share capital by issue of bonus shares, accordingly the previously reported earnings per share have been restated for the bonus share issue made during the year.

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

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9. Property, plant and equipment

	Land	Building	Boats	Plant facilities	Furniture, fixture, equipment, instruments and building improvements	Motor vehicles	Capital work in progress	Total 2011	Total 2010
Cost or revaluation:									
At 1 January	518,250	112,142	14,315	455,497	235,229	25,470	1,855,073	3,215,976	2,626,979
Additions	-	-	5,083	1,172	29,032	12,230	190,628	238,145	536,670
Net transfers	357,429	99,494	-	961	35,584	-	(777,959)	(284,491)	52,391
Revaluation	1,053,179	-	-	-	116,088	-	-	1,169,267	-
Disposals	-	-	(1,612)	-	(12,732)	(5,549)	(58,085)	(77,978)	(64)
At 31 December	<u>1,928,858</u>	<u>211,636</u>	<u>17,786</u>	<u>457,630</u>	<u>403,201</u>	<u>32,151</u>	<u>1,209,657</u>	<u>4,260,919</u>	<u>3,215,976</u>
Depreciation:									
At 1 January	-	19,347	6,949	42,927	68,469	11,906	16,675	166,273	97,158
Depreciation charge for the year	-	8,858	3,171	18,470	28,048	9,584	14,954	83,085	69,121
Transfers	-	-	-	-	(5,156)	-	-	(5,156)	-
Disposals	-	-	(266)	-	(11,859)	(4,292)	-	(16,417)	(6)
At 31 December	<u>-</u>	<u>28,205</u>	<u>9,854</u>	<u>61,397</u>	<u>79,502</u>	<u>17,198</u>	<u>31,629</u>	<u>227,785</u>	<u>166,273</u>
Net carrying amount:									
At 31 December 2011	<u>1,928,858</u>	<u>183,431</u>	<u>7,932</u>	<u>396,233</u>	<u>323,699</u>	<u>14,953</u>	<u>1,178,028</u>	<u>4,033,134</u>	
At 31 December 2010	<u>518,250</u>	<u>92,795</u>	<u>7,366</u>	<u>412,570</u>	<u>166,760</u>	<u>13,564</u>	<u>1,838,398</u>		<u>3,049,703</u>

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

	2011	2010
Cost of sales	44,730	38,581
General and administrative	8,058	8,173
Sales and marketing expenses	1,956	2,559
Work in progress	28,032	19,455
Capital work in progress	309	353
	<u>83,085</u>	<u>69,121</u>

9. Property, plant and equipment (continued)

- (i) The District Cooling System plant and related facilities are being constructed on the freehold land owned by the Group.
- (ii) The revaluation of the Lands in West bay area and Pearl Qatar was carried out by an independent external valuer, on 10 April 2011.

The cost of the land which was subject to revaluation amounted to QR 109,500 thousands.

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

	2011	2010
Cooling plants – Qatar Cool	823,374	815,290
Properties under development	283,864	902,633
Others	<u>70,790</u>	<u>120,475</u>
	<u>1,178,028</u>	<u>1,838,398</u>

- (iii) The above capital work in progress as of 31 December 2011 includes capitalised borrowing costs amounting to QR 77,560 thousands (2010: QR 73,100 thousands).

10. Investment property

	2011	2010
Balance at 1 January	1,346,528	1,133,675
Additions during the year	325,606	212,853
Transfers	1,589,466	-
Fair value gain on valuation	<u>3,057,235</u>	<u>-</u>
Balance at 31 December	<u>6,318,835</u>	<u>1,346,528</u>

The cost of investment property as of 31 December 2011 includes capitalised borrowing costs amounting to QR 106,050 thousands (2010: QR 76,470 thousands).

The investment properties located in The Pearl Qatar, were revalued by independent professional valuers on 12 September 2011 and 5 November 2011 respectively and the resulting gain amounting to QR 3,057,235 thousands has been recognised in the profit or loss.

11. Intangible assets

	Branding	Goodwill	Operating software	Others	Total
Cost:					
Balance at 1 January 2010	1,238	8,867	3,917	-	14,022
Additions during the year	<u>3,175</u>	<u>-</u>	<u>1,739</u>	<u>2,790</u>	<u>7,704</u>
Balance at 31 December 2010	<u>4,413</u>	<u>8,867</u>	<u>5,656</u>	<u>2,790</u>	<u>21,726</u>
Balance at 1 January 2011	4,413	8,867	5,656	2,790	21,726
Additions during the year	<u>1,762</u>	<u>-</u>	<u>1,393</u>	<u>-</u>	<u>3,155</u>
Balance at 31 December 2011	<u>6,175</u>	<u>8,867</u>	<u>7,049</u>	<u>2,790</u>	<u>24,881</u>

11. Intangible assets (continued)

	Branding	Goodwill	Operating software	Others	Total
Amortisation and impairment losses					
Balance at 1 January 2010	155	8,867	1,062	-	10,084
Amortisation for the year	876	-	786	46	1,708
Balance at 31 December 2010	1,031	8,867	1,848	46	11,792
Balance at 1 January 2011	1,031	8,867	1,848	46	11,792
Amortisation for the year	69	-	837	558	1,464
Balance at 31 December 2011	1,100	8,867	2,685	604	13,256
Carrying amounts:					
At 31 December 2011	5,075	-	4,364	2,186	11,625
At 31 December 2010	3,382	-	3,808	2,744	9,934

12. Investment in associates

The Group has the following investments in associate companies:

	Country of incorporation	Shareholding	2011 Carrying Value	2010 Carrying Value
Middle East Dredging Company Q.S.C.	Qatar	45.9%	321,227	363,840
Al-Seef Limited Q.S.C.	Qatar	20%	315,973	296,270
United Readymix W.L.L.	Qatar	32%	36,924	43,598
ASTECO Qatar	Qatar	30%	2,315	2,239
			676,439	705,947

Notes:

- (a) Middle East Dredging Company Q.S.C. is involved in project related dredging and reclamation activities in the Gulf States and other neighbouring countries.
- (b) Al-Seef Limited Q.S.C. is engaged in production and selling of Linear Alkyl Benzene (LAB), downstream petrochemical products and essential feedstock to the worldwide detergent manufacturing industries.
- (c) United Readymix W.L.L. is engaged in the production and sale of readymix concrete and other building materials.
- (d) ASTECO Qatar is involved in property management activity.

Net share of results of associates represent share of the associates' net profits for the year belonging to the Group.

13. Long term receivables

	2011	2010
Long term receivables	3,745	8,319
Less: Unearned finance income	(1,339)	(2,347)
	2,406	5,972

These represent the amounts receivable from customers over a period of 2-7 years on sale of equipment.

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14. Available-for-sale investments

	2011	2010
Available for sale investments – quoted shares	400,384	459,447
Available for sale investments – unquoted shares	<u>4,000</u>	<u>4,000</u>
	<u>404,384</u>	<u>463,447</u>

15. Inventories

	2011	2010
Land and Properties held for sale	2,701,219	90,933
Spare parts	2,912	2,349
Construction work in progress – equipment	-	51,300
Boat stock	53,456	55,250
Fashion items	7,802	7,577
Food, beverage and consumables	2,419	1,420
Material and chemical items	35,112	93
Goods in transit	<u>650</u>	<u>339</u>
	<u>2,803,570</u>	<u>209,261</u>

16. Work in progress

	2011	2010
Qanat Quartier / The Pearl Qatar	<u>2,316,832</u>	<u>3,941,082</u>

The work in progress for the current year consists of the costs incurred for the development of Qanat Quartier project in the Pearl Qatar. The work in progress primarily represents costs incurred for the development which are not billed as of 31 December 2011 or transferred to inventories.

17. Accounts and other receivables

	2011	2010
Accounts receivable	527,660	193,016
Accrued income	1,981	779
Advances to contractors	109,482	115,715
Amounts due from customers	697,934	404,971
Amounts due from related parties	5,784	6,765
Prepaid expenses and other assets	<u>125,279</u>	<u>52,149</u>
	<u>1,468,120</u>	<u>773,395</u>

Included in the above amounts due from related parties are the following balances:

	2011	2010
Middle East Dredging Company Q.S.C.	2,037	1,493
United Readymix W.L.L.	3,747	2,033
ASTEKO	-	668
National Central Cooling Company P.J.S.C	<u>-</u>	<u>2,571</u>
	<u>5,784</u>	<u>6,765</u>

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18. Cash and cash equivalents

	2011	2010
Cash on hand and bank balances	308,961	180,044
Time deposits	<u>711,453</u>	<u>192,409</u>
Total cash and cash equivalents	1,020,414	372,453
Less: Reserves / Time deposits maturing after 90 days	<u>(60,000)</u>	<u>(45,000)</u>
Cash and cash equivalents as per statement of cash flows	<u>960,414</u>	<u>327,453</u>

Time deposits carry interest at commercial rates.

19. Share capital

	2011	2010
<i>Authorised, issued and fully paid up capital:</i>		
160,875,000 ordinary shares of QR 10 each (2010 : 134,062,500 shares of QR 10 each)	<u>1,608,750</u>	<u>1,340,625</u>

	2011	2010
Number of shares		
On issue at 1 January	<u>160,875</u>	<u>134,062</u>
On issue at 31 December	<u>160,875</u>	<u>134,062</u>

At 31 December 2011, the authorised share capital comprised 160,875,000 ordinary shares (2010:134,062,500 ordinary shares), all shares have a par value of QR 10. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividend, as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets. During the year, the authorised, issued and fully paid up capital was increased by QR 268,125 thousand by way of an issue of 26,812,500 bonus shares.

The Board of Directors recommended to the Extraordinary General Assembly to have The Pension and Social Insurance Authority as strategic shareholder through increasing the Company's' share capital by 80 million shares, offered at 20 Qatari Riyals per share (10 Qatari Riyals par value, plus premium of 10 Qatari Riyals per share).

20. Legal reserve

In accordance with Qatar Commercial Companies' Law No. 5 of 2002, 10% of the profits for the year have to be transferred to a legal reserve. Transfers may cease when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the Qatar Commercial Companies' Law No. 5 of 2002. In 2006, the Company capitalized QR 57,280 thousands from legal reserve in order to issue bonus shares for 2005. During the year an amount of QR 31,429 thousands were transferred to the legal reserve. (2010: nil)

21. Other reserves

	Fair value reserve	Cash flow hedge reserve	Asset revaluation reserve	Total 2011	Total 2010
Balance at 1 January	6,923	-	434,603	441,526	300,840
Increase/(decrease) during the year	<u>(59,064)</u>	<u>(4,532)</u>	<u>1,169,267</u>	<u>1,105,671</u>	<u>140,686</u>
Balance at 31 December	<u>(52,141)</u>	<u>(4,532)</u>	<u>1,603,870</u>	<u>1,547,197</u>	<u>441,526</u>

21. Other reserves (continued)**Fair value reserve**

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

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.

22. Proposed dividends

The Board of Directors proposed bonus share of 40% of share capital amounting to QR 643,500 thousands for the year 2011 which will be subject to the approval of shareholders at the Annual General Meeting (2010: 20% of share capital amounting to QR 268,125 thousands).

23. Social and sports fund

Qatar Law No. 13 of 2008 requires all Qatari listed shareholding companies to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of QR 93,665, thousands representing 2.5% of the net profit attributable to the owners of Company for the year ended 31 December 2011 (2010: QR 14,926 thousands).

24. Term loans

	2011	2010
Loan 1	887,464	970,502
Loan 2	47,106	70,662
Loan 3	855,988	819,563
Loan 4	1,091,514	865,572
Loan 5	881,623	571,802
Loan 6	149,969	187,561
Loan 7	285,000	285,000
Loan 8	728,000	728,000
Loan 9	64,000	74,766
Loan 10	350,000	-
Loan 11	780,000	-
Loan 12	56,267	-
	<u>6,176,931</u>	<u>4,573,428</u>
Less: Unamortised finance cost associated with raising finance	<u>(40,475)</u>	<u>(33,843)</u>
Balance at 31 December	<u>6,136,456</u>	<u>4,539,585</u>
Presented in the consolidated statement of financial position as:		
Current liability	1,594,810	1,041,763
Non-current liability	4,541,646	3,497,822
	<u>6,136,456</u>	<u>4,539,585</u>

Notes:

The loans carry interest at variable rates of LIBOR plus a percentage. The finance costs associated with raising finance represent arrangement fee, agency and participation fees paid for obtaining the financing.

24. Term loans (continued)

- (i) Loan 1: In May 2007, the subsidiary, Qatar District Cooling Company signed a loan agreement with a consortium of banks to provide loan facilities. This loan agreement grants a total facility of US\$ 285 million available for drawdown to repay the existing debt facility in full, fund the completion of the construction of the existing and new project facilities and to pay the interest, fees and other costs and expenses under the finance documents. The loan is repayable in nineteen semi-annual instalments commencing 36 months after the agreement date i.e. May 2010 and ending on June 2019. The loan is secured against the project assets and other tangible of the chilling plants of the company. Additionally, all revenues from the chilling plants and insurance proceeds have been assigned in favour of the lenders.
- (ii) Loan 2: This represents project finance loan obtained by the Company for US\$ 38.8 million in May 2006. The loan was fully drawn down in 2006. It is repayable in six annual instalments commencing from April 2008 and ending in April 2013.
- (iii) Loan 3: In September 2006, the Company signed a syndicated loan agreement of US\$ 225 million with a group of local, regional and international banks for corporate purposes available for 5 years as a revolving facility. In August 2011, the Company had refinanced the facility to increase the loan amount by an additional US\$ 10 million. The facility was fully drawn by the Company and available for three additional years from August 2011.
- (iv) Loan 4: In February 2008, The Pearl Qatar Real Estate Development Fund signed a Musharaka agreement of US\$ 300 million for the construction of Qanat Quartier precinct at the Pearl Qatar project. The loan is available for 3 years and one more additional year. The outstanding balance as of 31 December 2011 represents the drawn amount of such facility.
- (v) Loan 5: In August 2008, the subsidiary, Medina Centrale Company signed a syndicated loan agreement of QR. 940 million and US\$ 27.4 million with group of local, regional and international banks for the construction of Medina Centrale precinct at the Pearl Qatar project. The facility is available for 9 years as revolving facility. The repayment of this loan commences from August 2012. The outstanding balance as of 31 December 2011 represents the drawn amount of such corporate facility.
- (vi) Loan 6: In January 2008, the subsidiary Ronautica Middle East Company signed a loan agreement for the construction of the Pearl Marina. The initial loan agreement granted a total facility of QR 132.5 million which the Company refinanced into a new loan facility during the year 2010, to QR 208 million. This refinanced loan is repayable in twenty eight quarterly instalments commencing from January 2011. The outstanding balance as of 31 December 2011 represents the drawn amount of such facility.
- (vii) Loan 7: This represent a corporate banking facility obtained by the Company for QR 285 million in April 2009. The loan was fully drawn by the Company and is a revolving facility repayable over a period of 3 years.
- (viii) Loan 8: This represent a corporate banking facility obtained by the Company in March 2010 for QR 728 million. The loan was fully drawn by the Company. It is a revolving facility repayable over a period of 3 years.
- (ix) Loan 9: This represent a loan facility obtained by the subsidiary Hospitality Development Company in January 2010 for the construction of its restaurants. The facility limit is QR 80 million and repayable over a period of 4 years. The repayment commences from January 2011. The outstanding balance as of 31 December 2011 represents the drawn amount of such facility.
- (x) Loan 10: This represents a general corporate facility obtained by the subsidiary, Porto Arabia Retail Company 1 in August 2011. The facility limit is QR 350 million and payable semi annually commencing from February 2013 to August 2018. The facility was fully drawn during the year.
- (xi) Loan 11: This represents a general corporate facility obtained by the Company in September 2011. The facility limit is QR 780 million and payable quarterly commencing from January 2013 to October 2021. The facility was fully drawn during the year.
- (xii) Loan 12: This represents a general corporate facility obtained by the subsidiary United Development Investment Company in February 2011. The facility limit is QR 400 million and payable in full in June 2015. The outstanding balance as at 31 December 2011 represents the draw down amount of the facility.

24. Term loans (continued)

The maturity profiles of the term loans are as follows:

31 December 2011	1 year	2-5 years	Over 5 years	Total
Loan 1	88,227	441,137	358,100	887,464
Loan 2	23,556	23,550	-	47,106
Loan 3	-	855,988	-	855,988
Loan 4	1,091,514	-	-	1,091,514
Loan 5	46,419	835,204	-	881,623
Loan 6	41,400	108,569	-	149,969
Loan 7	285,000	-	-	285,000
Loan 8	-	728,000	-	728,000
Loan 9	20,000	44,000	-	64,000
Loan 10	-	280,000	70,000	350,000
Loan 11	-	433,290	346,710	780,000
Loan 12	-	56,267	-	56,267
	1,596,116	3,806,005	774,810	6,176,931
31 December 2010	1 year	2-5 years	Over 5 years	Total
Loan 1	83,038	399,618	487,846	970,502
Loan 2	23,556	47,106	-	70,662
Loan 3	819,563	-	-	819,563
Loan 4	-	865,572	-	865,572
Loan 5	59,988	511,814	-	571,802
Loan 6	41,400	146,161	-	187,561
Loan 7	-	285,000	-	285,000
Loan 8	-	728,000	-	728,000
Loan 9	16,000	58,766	-	74,766
	1,043,545	3,042,037	487,846	4,573,428

This note provides information about the contractual terms of the Group's term loans, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risk, see note 31.

25. Retention payable

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

	2011	2010
Current portion	228,238	256,216
Non-current portion	393,663	331,355
	621,901	587,571

26. Employees' end of service benefits

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

	2011	2010
Provision at 1 January	16,315	10,008
Provided during the year	8,256	7,509
End of service benefits paid	(1,969)	(1,202)
Provision at 31 December	22,602	16,315

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27. Accounts and other payables

	2011	2010
Accounts payable	157,820	236,708
Accrued contracts costs	1,908,158	264,425
Advances received from customers	796,002	1,024,052
Amounts due to related parties	420	253
Other accrued expenses	270,766	56,889
Other payables	289,663	189,838
	<u>3,422,829</u>	<u>1,772,165</u>

Included in the above amounts due to related parties are the following balances:

	2011	2010
Cool Tech Energy Water LLC	-	228
Installation Integrity 2000 LLC	-	25
ASTECCO	420	-
	<u>420</u>	<u>253</u>

28. Related parties

(a) Related party transactions

During the year, certain transactions have occurred with related parties on the same commercial basis and conditions as other non-related parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2011	2010
Other related parties:		
Revenue	<u>60,414</u>	<u>3,604</u>
Associates:		
Management fee received	<u>36</u>	<u>46</u>
Rent income	<u>2,180</u>	<u>2,243</u>

Amounts due from and to related parties are disclosed in notes 17 and 27 respectively.

(b) Compensation of key management personnel

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

	2011	2010
Short term benefits	15,850	13,215
Employees' end of service benefits	1,106	524
	<u>16,956</u>	<u>13,739</u>

The Company has provided for Directors' remuneration for the year 2011 amounting to QR 21,375 thousands which is subject to the approval by the shareholders at the Annual General Meeting.

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29. Contingent liabilities

	2011	2010
Bank guarantees	<u>6,802</u>	<u>3,044</u>
Letters of credit	<u>10,693</u>	<u>1,564</u>

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

30. Capital commitments

	2011	2010
Contractual commitments to contractors/suppliers	<u>244,275</u>	<u>1,377,514</u>

31. Financial instruments and risk management

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

Accounting policies for financial assets and liabilities are set out in note 3.

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

Credit risk

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

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

Exposure to credit risk

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

	Carrying amount	
	2011	2010
Available-for-sale investments	404,384	463,447
Loans and receivables	1,337,057	714,481
Bank balances	<u>1,019,951</u>	<u>371,619</u>
	<u>2,761,392</u>	<u>1,549,547</u>

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

Impairment losses

Based on the management's assessment and historic default rates, the Group believes that no impairment allowance is necessary in respect of accounts receivables.

31. Financial instruments and risk management (continued)**Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding term loans and the impact of netting agreements:

31 December 2011	Carrying amount	Contractual cash flows	Less than 12 months	1 – 2 years	2- 5 years	More than 5 years
Non derivative financial liabilities						
Retention payable	621,901	(621,901)	(228,238)	(222,631)	(171,032)	-
Employees' end of service benefits	22,602	(22,602)	-	-	-	(22,602)
Due to related parties	420	(420)	(420)	-	-	-
Accounts and other payables	1,243,485	(1,243,485)	(1,243,485)	-	-	-
	1,888,408	(1,888,408)	(1,472,143)	(222,631)	(171,032)	(22,602)

31 December 2010	Carrying amount	Contractual cash flows	Less than 12 months	1 – 2 years	2- 5 years	More than 5 years
Non derivative financial liabilities						
Retention payable	587,571	(587,571)	(256,216)	(155,964)	(57,188)	(118,203)
Employees' end of service benefits	16,315	(16,315)	-	-	-	(16,315)
Due to related parties	253	(253)	(253)	-	-	-
Accounts and other payables	1,450,598	(1,450,598)	(1,450,598)	-	-	-
	2,054,737	(2,054,737)	(1,707,067)	(155,964)	(57,188)	(134,518)

Market risk*Interest rate risk*

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

	Carrying Amount	
	2011	2010
Fixed rate instruments		
Balances held with the banks	711,453	192,409
Term loans	(149,969)	(187,561)
	561,484	4,848
Variable rate instruments		
Term loans	(6,026,962)	(4,385,867)

31. Financial instruments and risk management (continued)**Market risk (continued)***Interest rate risk (continued)**Sensitivity analysis*

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

31 December 2011

Change in variable	Impact on net profit	Impact on equity
+100 basis points	<u>(60,269)</u>	<u>(60,269)</u>
-100 basis points	<u>60,269</u>	<u>60,269</u>
31 December 2010		
Change in variable	Impact on net profit	Impact on equity
+100 basis points	<u>(43,858)</u>	<u>(43,858)</u>
-100 basis points	<u>43,858</u>	<u>43,858</u>

Currency risk

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

Equity price risk

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

Sensitivity analysis

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

	Changes in variables	Impact on equity	
		2011	2010
Qatar market	+10%	28,236	30,315
International markets	+10%	11,802	15,629
Qatar market	-10%	(28,236)	(30,315)
International markets	-10%	(11,802)	(15,629)

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

32. Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

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

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

Change in fair value recognised directly in equity

	2011	2010
Net change in fair value of available-for-sale investments	<u>(59,064)</u>	<u>140,686</u>

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2011				
Available-for-sale investments	<u>400,384</u>	<u>-</u>	<u>-</u>	<u>400,384</u>
	400,384	-	-	400,384
31 December 2010				
Available-for-sale investments	<u>459,447</u>	<u>-</u>	<u>-</u>	<u>459,447</u>
	459,447	-	-	459,447

33. Finance income and expense

	2011	2010
Interest income on bank deposits	14,200	10,649
Dividend income on available-for-sale investments	<u>28,013</u>	<u>37,716</u>
Finance income	42,213	48,365
Interest expense on financial liabilities measured at amortised cost	<u>(43,061)</u>	<u>(31,072)</u>
Finance expense	(43,061)	(31,072)
Net finance (expense)/income recognised in profit or loss	(848)	17,293

34. Discontinued operations

The assets and liabilities of Millenya were presented as a disposal group held for sale in the consolidated financial statements as at 31 December 2008. As explained in note 3(a) as a strategic decision, the management of the Group decided to write off the total net assets value of Millenya amounting to QR 11,764 thousands in 2009. In addition, the negative goodwill amounting to QR 2,986 thousands arising from the acquisition of non-controlling interest and the foreign currency translation reserve of QR 460 thousands have been recognised in the consolidated statement of income in 2009.

35. 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, cleaning and e-payment protocol services. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

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

Geographical segments

The group has not diversified its activities out side the State of Qatar except for Millenya Inc. (established in Republic of Trukey), Enterprise Development Company (established in Republic of Turkey), Pearl Qatar Real Estate Development Fund (established in Cayman Island), 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 and therefore majority of the Group assets are located inside Qatar. Accordingly there are no distinctly identifiable geographical segments in the Group for the year ended 31 December 2011.

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35. Operating segments (continued)

	Urban Development		Hydro Carbon & Energy		Hospitality & Leisure		Infrastructure & Utilities		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External revenue	1,573,690	1,187,446	-	-	67,868	34,595	263,187	196,196	1,933	1,463	1,906,678	1,419,700
Inter segment revenue	84,327	40,843	-	-	-	-	7,583	25,347	32,082	-	123,992	66,190
Interest income	10,658	4,330	-	-	2,219	89	1,323	6,230	-	-	14,200	10,649
Interest expense	24,754	1,182	-	-	250	2,340	18,057	27,550	-	-	43,061	31,072
Depreciation	39,353	26,877	-	-	5,835	8,310	37,490	33,933	407	1	83,085	69,121
Profit/(loss) for the year	3,813,742	604,093	-	-	5,982	(38,037)	72,172	58,506	2,383	81	3,894,279	624,643
Share of profit of associates	(39,953)	63,529	59,703	38,842	-	-	-	-	75	(149)	19,825	102,222
Reportable segment assets	16,314,592	8,038,589	-	-	154,391	226,522	1,902,866	1,896,937	7,471	9,727	18,379,320	10,171,775
Investment in associates	358,151	407,438	315,973	296,270	-	-	-	-	2,315	2,239	676,439	705,947
Reportable segment liabilities	8,958,124	5,491,268	-	-	19,375	91,007	1,219,096	1,328,874	7,193	4,487	10,203,788	6,915,636

35. Operating segments (continued)**Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items****Revenue**

	2011	2010
Total revenue for reportable segments	2,030,670	1,485,890
Elimination of inter-segment revenue	<u>(123,992)</u>	<u>(66,190)</u>
Consolidated revenue	<u>1,906,678</u>	<u>1,419,700</u>

Profit or loss

	2011	2010
Total profit or loss for reportable segments	3,894,279	624,643
Elimination of inter-segment profits	<u>(142,578)</u>	<u>(110,038)</u>
Net share of results of associates	19,825	102,222
Consolidated profit for the year	<u>3,771,526</u>	<u>616,827</u>

Assets

	2011	2010
Total assets for reportable segments	18,379,320	10,171,775
Investments in associates	<u>676,439</u>	<u>705,947</u>
Consolidated total assets	<u>19,055,759</u>	<u>10,877,722</u>

Liabilities

	2011	2010
Total liabilities for reportable segments	10,203,788	6,915,636
Consolidated total liabilities	<u>10,203,788</u>	<u>6,915,636</u>

36. Comparative information

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