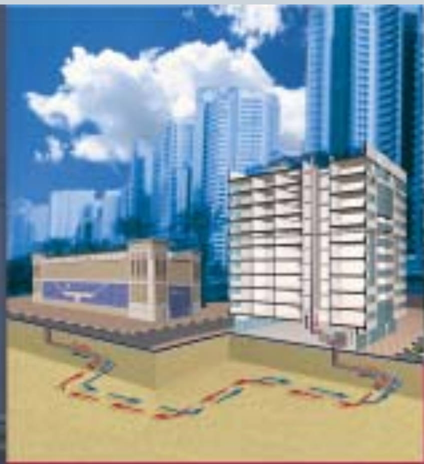


United Development Company Q.S.C

Creating Partnerships for Progress

Creating Partnerships for Progress

annual report 2004

Contents

Page 2	Board of Directors
Page 3	Strategic Values & Objectives
Page 4	Chairman's Statement
Page 6	Important Milestones
Page 7	Report on UDC Established Projects
Page 8	The Pearl-Qatar
Page 12	Qatar Dredging Company (QDC)
Page 14	Qatar District Cooling Company (Qatar Cool)
Page 16	Al-Sief Linear Alkyl Benzene (LAB) Company
	Gulf Formaldehyde Company (GFC)
Page 18	Auditors' Report to the Shareholders
Page 19	Consolidated Balance Sheet
Page 20	Consolidated Income Statement
Page 21	Consolidated Cash Flow Statement
Page 22	Consolidated Statement of Changes in Equity
Page 23	Notes to the Consolidated Financial Statements

Contact Details

United Development Company Q.S.C.
PO Box 7256, Doha, Qatar
Tel. (+974) 436 1542
Fax (+974) 435 5219
info@udcqatar.com
www.udcqatar.com

The Pearl-Qatar
PO Box 7256, Doha, Qatar
Tel. (+974) 446 3444
Fax (+974) 443 8971
info@thepearlqatar.com
www.thepearlqatar.com

Affiliate Companies

Qatar District Cooling Company (Qatar Cool)
PO Box 24979, Doha, Qatar
Tel. (+974) 437 2099
Fax (+974) 436 1548
info@qatarcool.com
www.qatarcool.com

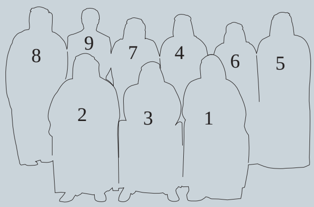
Qatar Dredging Company
PO Box 24745, Doha Qatar
Tel. (+974) 442 6762
Fax (+974) 442 6752

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

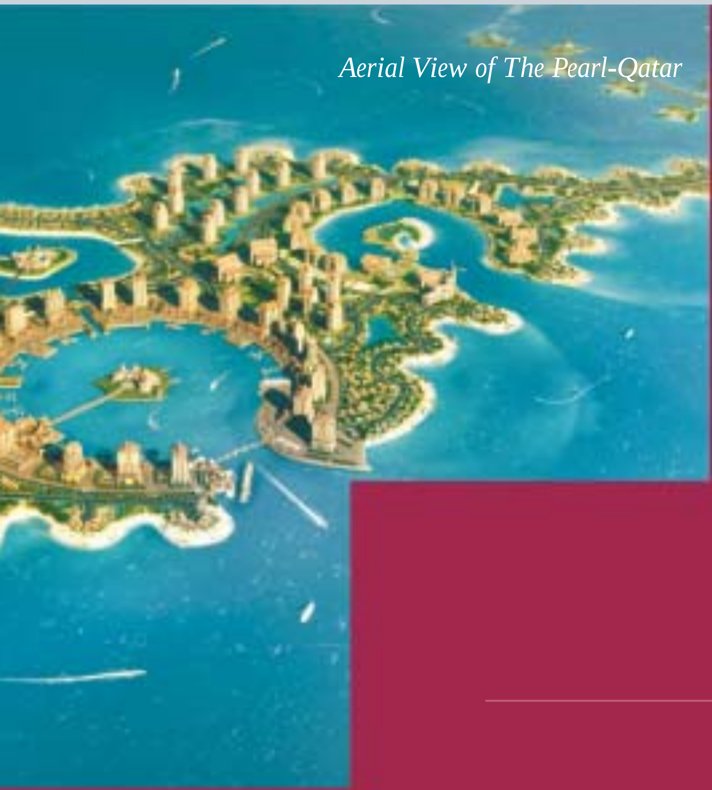
His Highness
Sheikh Tamim Bin Hamad Al-Thani
Heir Apparent

Board of Directors

1. Mr. Hussain Ibrahim Alfardan
   Chairman
2. H.E. Abdulla Bin Khalifa Al-Attiyah
   Deputy Chairman
3. H.E. Sheikh Nasser Bin Faleh Al Thani
   Director
4. H.E. Abdul Rahman Hamad Al Attiyah
   Director
5. Mr. Abdulrahman Abdullah Abdulghani Nasser
   Director
6. Mr. Mohammed Hamad Abdulla Almana
   Director
7. Mr. Khalifa Abdulla Turki Al-Subai
   Director
8. Mr. Omar Hussain Alfardan
   Director
9. Mr. Khalil P. Sholy
   Managing Director



Board of Directors



Aerial View of The Pearl-Qatar

Strategic Values & Objectives

To be the leading and most prosperous private sector shareholding company in Qatar.

To create lasting value and maximize long-term returns for shareholders and partners.

To be the first choice joint venture partner in Qatar for foreign companies and investors.

To lead the way in generating innovative projects in Qatar and elsewhere, for strategic and profitable development within a broad spectrum of sectors; including industrial, hydrocarbon related, construction services and real estate.

To be an organization for which both nationals and expatriates aspire to work.

To remain financially strong, entrepreneurial and always motivated to achieve superior results.

Chairman's Statement

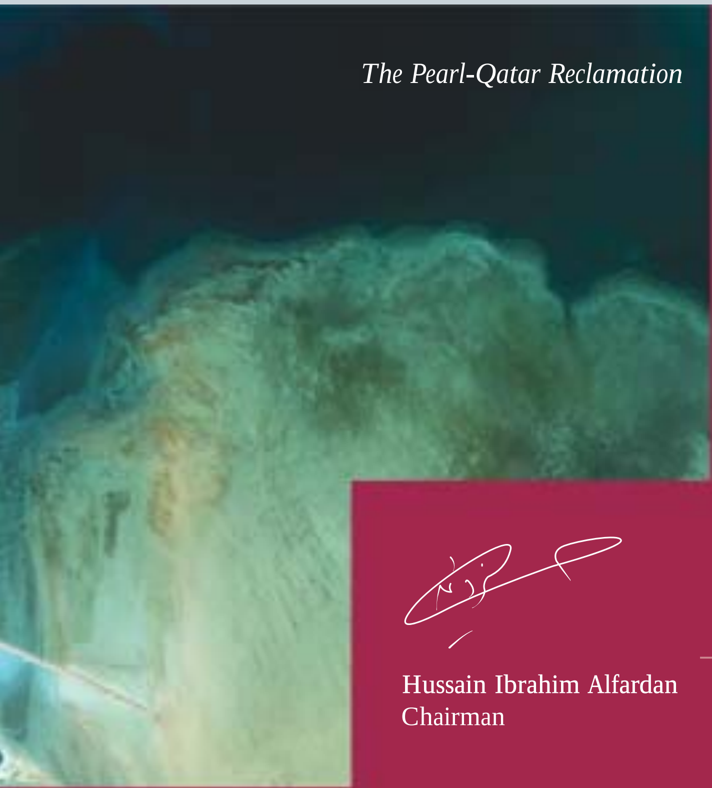
On behalf of the Board of Directors of United Development Company, it is an honour to highlight the company's activities during the fiscal year ended 31 December 2004.

There is no doubt that our country is witnessing unprecedented economic growth under the wise leadership of His Highness the Emir and His Highness the Heir Apparent, may God save their souls.

Our company is taking all the necessary steps in order to benefit from the expansion in the economy, and we have continued to make positive progress on all of our endeavors throughout 2004.

With regard to our largest project, The Pearl-Qatar, great progress has been achieved. By the year end, about one million square meters, or one quarter of the total island area was already reclaimed and being prepared for the construction phase. Dredging and reclamation of the total island will be completed by July 2006. The establishment of Qatar Dredging Company (QDC), which we incorporated in June 2004 in association with the Government of Qatar and Dredging, Environmental and Marine Engineering from Belgium, has played an important and crucial role in achieving this impressive dredging and reclamation progress.

The foundations for a successful long-term sales campaign of properties were laid down in 2004, and from the middle of the year, there was a steady build-up in marketing The Pearl-Qatar. A significant number of serious contacts, negotiations and property sales were concluded in the latter part of 2004. Consequently, very strong sales results are expected to be recorded from the first quarter of 2005 onwards, with the anticipated sell out of the first and second phase releases plus some pre-release sales of selected properties in other later phases.



The Pearl-Qatar Reclamation

Our company is taking all the necessary steps to benefit from the expansion in the economy, and we have continued to make positive progress in all our endeavors throughout 2004.

Hussain Ibrahim Alfardan
Chairman

In December 2004, further dredging business success was achieved when QDC, in joint venture with three international dredging companies, won the tender for the dredging and reclamation of the New Doha International Airport with a bid of QR 1.56 billion.

2004 has also been a very active year for our district cooling business. Qatar District Cooling Company (Qatar Cool) began its implementation and sales campaign for the first district cooling scheme in Qatar, located in the West Bay Commercial district. It also progressed with its implementation plans for the provision of district cooling to The Pearl-Qatar.

Our investment in the Gulf Formaldehyde Company project with QAFCO and others reported satisfactory results for 2004.

In May 2004, UDC signed a joint venture agreement with Qatar Petroleum to take 20% of the equity in Al-Sief Limited, a company created to produce Linear Alkyl Benzene (LAB), a downstream petrochemical product and main feedstock to the worldwide detergent manufacturing industry. The cost of the project is expected to be around QR 1.05 billion and construction, which began in May 2004, is currently progressing ahead of schedule. Commercial production is expected to commence in January 2006.

It is apparent that the above mentioned activities are positively reflected in the financial position of the company and have increased its assets considerably, something which may be briefly summarized as follows:

	2004	2003
Net Profit	31,711,451	9,754,494
Basic Earnings/Share	0.64	0.20
Total Assets	686,691,484	567,868,708
Retained Earnings	55,438,023	26,591,013
Total Equity	631,880,477	539,787,238

In closing, let me take the opportunity to express our deep respect and appreciation to His Highness the Emir and His Highness the Heir Apparent for their enlightened leadership and support which has created such favorable conditions for the growth and prosperity of the country including our company.

Furthermore, I also express my appreciation and that of the Board, to our shareholders and to all those who support the company's activities, as well as to the management and staff of the company for their continued dedication and hard work.

Important Milestones

1999 (July)	UDC established as a Qatari Shareholding Company. Board of Directors elected for five years
2000 (January)	Awarded exclusive license by Ministry of Energy and Industry to develop Primary Aluminium Smelter Project in Qatar
2000 - 2002	Explored and reviewed a multitude of potential projects with concentration on those with better success prospects
2003 (March)	Entered as joint venture partner in Gulf Formaldehyde Company (GFC)
2003 (April)	Agreement signed with the Government of Qatar to develop The Pearl-Qatar Island
2003 (May)	Qatar District Cooling Company (Qatar Cool) shareholders agreement signed
2003 (June)	UDC shares listed on Doha Securities Market
2003 (November)	Pearl Master Plan completed and submitted to Qatar Government
2004 (January)	Received Government approval for The Pearl-Qatar Master Plan
2004 (April)	New Board of Directors elected for three years
2004 (April)	Opened dedicated offices for The Pearl-Qatar
2004 (May)	HH the Prime Minister, Sheikh Abdullah Bin Khalifa Al-Thani, inaugurated the start of dredging work at The Pearl-Qatar site
2004 (June)	Registration of Qatar Dredging Company (QDC)
2004 (August)	Registration of Al-Sief Limited (JV company for LAB production)
2004 (October)	Announcement of release of first sales properties on The Pearl-Qatar
2004 (December)	Award of New Doha International Airport dredging contract to international consortium led by QDC
2004 (December)	Completion of detailed design and tender documents for Qatar Cool's West Bay district cooling scheme

Important Milestones

Report on UDC Established Projects

The Pearl-Qatar is wholly owned by UDC.

UDC has major shareholdings in the following companies:

Qatar Dredging Company (QDC)

Qatar District Cooling Company (Qatar Cool)

UDC also has interests in the following companies:

Gulf Formaldehyde Company (GFC)

Al-Sief Linear Alkyl Benzene (LAB) Company

The following pages provide some details on these projects.

The Pearl-Qatar

With an estimated total cost including dredging, reclamation, infrastructure and buildings, of QR 9 billion, The Pearl-Qatar is currently UDC's largest and highest profile project. It is also the largest and the first international real estate development project in the State of Qatar. An agreement was signed with the Government of Qatar in April 2003 providing UDC with the freehold title and right to create and develop the new 4 million square meters island just offshore from the prestigious Al Qutaifiya Lagoon area of Doha. This agreement came into effect on 26th January 2004 when government approval was given to the UDC Master Plan. The agreement provides for government support, including the provision of approach roads and utility services to the new island, as well as the right for UDC to sub-divide the property and transfer title without nationality restriction, thus making The Pearl-Qatar the first real estate project in Qatar with true international dimensions and appeal. In The Pearl-Qatar, UDC is not only building a new island, it is creating a new cosmopolitan residential community of some 35,000 persons and an attractive and very accessible visitor destination. The entire development is being undertaken within the framework of a Government approved Master Plan that provides for well-conceived districts, excellent modern services, abundant landscaping and architecturally attractive building designs that take full advantage of a unique seaside environment. Excellent and significant progress was made in the project's development during 2004.

Porto Arabia

In The Pearl-Qatar, UDC is not only building a new island, it is creating a new cosmopolitan residential community of some 35,000 persons and an attractive and very accessible visitor destination.

The Marine Works

Following the completion of the marine works detailed design in March 2004 by international marine works consultants COWI A/S of Denmark, dredging and initial reclamation works began in May 2004. The main contract, valued at QR 608 million, is being undertaken by Qatar Dredging Company (QDC), a joint venture company created by UDC, Dredging, Environmental and Marine Engineering NV of Belgium (DEME) and the State of Qatar.

Considerable reclamation progress has been achieved, and by the end of 2004, some 1 million square meters had been reclaimed; representing one quarter of The Pearl-Qatar's final platform area. Reclamation of the full 400 hectares, including all shore protection, is scheduled for completion in July 2006. The reclamation is proceeding in discrete stages coordinated with sales releases phases and handover dates of building plots to purchasers.

The Master Plan

The Master Plan, approved by the Government in January 2004, has been taken forward through the sketch and into the detailed design stages with regard to both building architecture and island infrastructure (utilities services and road network). An implementation programme has been carefully developed and planned to achieve fast-track development and construction, commencing with Porto Arabia, the first and largest of The Pearl-Qatar's 10 precincts. Construction is expected to begin in April 2005.

Utility Services

Contracts for island infrastructure construction, estimated to be in the range of QR 1.2 - 1.4 billion, will be placed in the first half of 2005. The backbone of the total island road network and utility systems are planned to be completed during the last quarter of 2006, as is the infrastructure for Porto Arabia and La Plage Villas West, which represent The Pearl-Qatar's first and largest development and population center. Development efforts remain underway by Government authorities to assure the

provision of the required road improvements and utilities to the island by June 2006 in accordance with the obligations defined in the 2003 master agreement.

Products and Sales

Product marketing was conceived and is being implemented as a strategic campaign to establish The Pearl-Qatar brand and maintain awareness of the high quality properties and lifestyle that it represents. This campaign commenced on a local basis in May 2004, prior to the release of property sales, and has been progressively implemented with increasingly higher media coverage and trade show participation throughout the year. This campaign will be enhanced and expanded in 2005, incorporating increased television coverage and the launch of The Pearl-Qatar into key international markets.

During 2004, The Pearl-Qatar product portfolio was continuously developed to ensure that a broad range of high quality real estate opportunities were made available to Qatari, regional and overseas buyers. Investor and retail buyer investment choices on The Pearl-Qatar now include development plots for apartment towers, development plots for villas, individual villa plots, completed apartment towers, completed villas, a range of apartment units, and a range of townhouses, as well as sites for restaurant, boutique shops, hotels, schools and marina development. In order to manage the supply and

During 2004, The Pearl-Qatar product portfolio was continuously developed to ensure that a broad range of high quality real estate opportunities were made available to Qatari, regional and overseas buyers.

demand for Pearl-Qatar properties, UDC has chosen to follow a balanced sales approach comprising the full range of products offered according to a selective phased-release program. The Pearl-Qatar portfolio will continue to expand throughout the project's development as new property opportunities become available in different districts over the time span of The Pearl-Qatar build-out, which is expected to be completed at the end of 2009.

UDC's marketing and product strategies are proving to be highly successful. A significant number of serious contacts, negotiations and property sales were concluded in the latter part of 2004. Very strong sales results are expected to be recorded from the first quarter of 2005 onwards, with the expected sell out of the first and second phase releases, and pre-release sales of selected properties as opportunities arise.

Long Term Commitment

UDC's interest in The Pearl-Qatar does not end when the sale of all the properties is completed. UDC will continue to be involved in the provision of services and maintenance for the properties and residents of the island in perpetuity. Furthermore, UDC will be undertaking a range of real estate services, ranging from rental and leasing, to resale services.

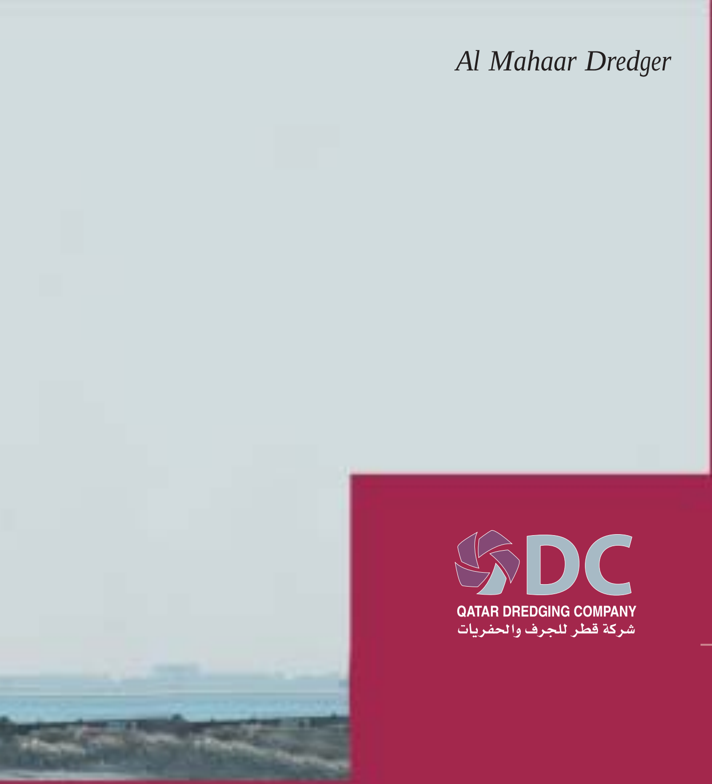
During 2005, UDC will commence developing the retail business opportunities in Porto Arabia, which consists of 90,000 square meters of premium property encircling the 2.5 kilometer perimeter of the Porto Arabia harbour.

Qatar Dredging Company (QDC)

2004 was the foundation year for another important UDC venture; the entry into the international dredging and reclamation business. This has been achieved through the establishment of Qatar Dredging Company, a joint venture between UDC, the Belgian company Dredging, Environmental and Marine Engineering NV (DEME) and the State of Qatar.

The Qatar Dredging Company (QDC) became a registered Qatari company in June 2004 with an authorized capital of QR 360 million and the following proportional shareholdings: UDC (45.9%); DEME (44.1%); State of Qatar (10.0%). The initial paid-up capital was QR 90 million, which was subsequently raised by a further QR 90 million in November 2004.

Using the broad financing criteria of 50% equity and 50% loan, QDC invested in key dredging and civil works equipment during 2004 to enable it to compete for dredging and reclamation work in Qatar and throughout the Middle East. The key to the success of QDC is seen as having the right equipment, technical know-how and management skills readily available for mobilization to any significant Middle East dredging and reclamation project. Of particular note during 2004 was the purchase of a large cutter suction dredging vessel and associated equipment. The dredger, one of the world's largest in its class, is registered and flagged as a Qatari vessel with the name 'Al Mahaar', previously known as 'Amazone', and has been engaged on contract work since its arrival in Qatar in August 2004.



Al Mahaar Dredger

Using the broad financing criteria of 50% equity and 50% loan, QDC invested in key dredging and civil works equipment during 2004 to enable it to compete for dredging and reclamation work in Qatar and throughout the Middle East.

The first major project secured by QDC was the marine works for the creation of The Pearl-Qatar island. The marine works contract involves the excavation and provision of approximately 15 million cubic meters of material and is in total valued at QR 608 million.

In addition, two regional projects previously secured by DEME have been transferred to QDC on a guaranteed minimum profit/no loss basis. The first of these is the Lulu Island project in Bahrain. This project has a value of QR 95 million and consists of creating an extension zone 1.7 kilometers long and 700 meters wide. The project began in September 2004 and is scheduled to be completed in July 2005. The second project, in Pars, Iran, is valued at QR 38 million and involves dredging a basin within a new harbour. Work started up in November 2004 and completion is expected during the first quarter of 2005.

On 1 December 2004, after a lengthy negotiation process, the 'Platform Reclamation and Revetment Works' contract for the New Doha International Airport (NDIA) was awarded for a total value of QR 1.56 billion to an international consortium led by QDC. This massive project entails 62 million cubic meters of reclamation and 18 kilometers of revetment works. The combination of massive scale and accelerated schedule required the pooled resources of a well balanced consortium to execute the project, which is planned for full completion by 1 December 2006. The first critical work on the dredging access channel on the NDIA contract was undertaken by QDC's 'Al Mahaar' cutter suction dredger.

Looking beyond its present contracts, there are excellent prospects for a continuous stream of dredging and reclamation work in Qatar and throughout the Gulf and Middle East, both for capital dredging (new and expansion projects) and maintenance dredging. QDC is uniquely positioned to secure the majority share of this work, and will be further advantaged by future investments in human, equipment and technical resources. Furthermore, QDC has the requisite capabilities and is actively pursuing opportunities to provide services such as shore protection, trenching, protection of off-shore pipelines and environmental works.

QDC reported a positive net profit in its first year of operations and is expected to be a solid future earning investment for UDC.

Qatar District Cooling Company (Qatar Cool)

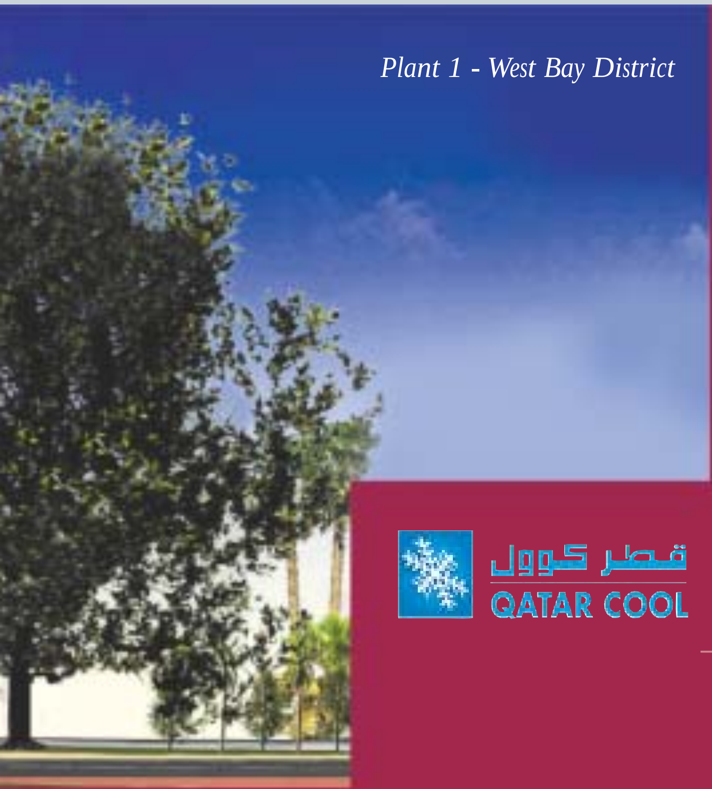
In 2003, shareholders were informed that UDC had identified district cooling as a unique and important service for Qatar which would substantially reduce power demand for airconditioning, and provide an early and solid long term business opportunity.

District cooling is a utility services business which supplies a recirculating source of chilled water from a central district cooling plant, through a network of underground pipes to which individual buildings may connect, to provide chilling for air conditioning systems, thereby eliminating the need for individual building compressor plants. District cooling is an economic, environmentally friendly, continuous service.

Being aware of Qatar's rapidly expanding economy and the growing numbers and concentrations of large buildings requiring airconditioning, coupled with knowledge of the national need for attaining efficient use of electrical power, UDC was spurred to rapidly establish a district cooling business operation in Qatar.

Qatar District Cooling Company, now generally referred to as Qatar Cool, was started with an initial capital of QR 30 million, and received its formal registration in January 2004. The company is a joint venture among UDC (50.5%), National Central Cooling Company P.J.S.C. (Tabreed) of the UAE (44.5%) and private Qatari investors (5%). Tabreed is a publicly quoted company in the UAE and is now regarded as one of the world's largest district cooling companies.

Qatar District Cooling Company (Qatar Cool)



Plant 1 - West Bay District

Qatar Cool intends to seek out other district cooling and associated business opportunities to further expand its operations over the coming years.

2004 has been a very active year for Qatar Cool. Following the establishment of the company offices and appointment of its management and core staff, the company moved immediately to select and implement its initial district cooling schemes. Two large schemes are now under implementation.

The first scheme will supply chilled water to the rapidly developing West Bay Commercial District where over 100 high rise buildings are now under construction or planned. In this development, Qatar Cool will be constructing a 22 km pipe network and two plant facilities capable of supplying some 60 office towers with a total of more than 60,000 refrigerating tonnes of cooling (1 Refrigerant Ton = 12,000 Btu per hour).

Following the detailed design work completed in December 2004, construction and supervision contracts have been awarded for the basic pipe network and the first plant facility. Construction completion and first customer service is scheduled during the fourth quarter of 2005.

There is a particularly strong interest in the connection of buildings to the scheme. A number of prestigious contracts have already been signed with more expected by the end of 2005, which will enable the commencement of construction of the second planned central chiller plant facility.

The total investment in this first scheme will be approximately QR 335 million. Funds will be disbursed over three years and be provided through a combination of shareholder equity and conventional bank project finance.

Qatar Cool's second major scheme is that for The Pearl-Qatar where, under the Master Plan, all buildings will be connected to the island's district cooling system. The island scheme is expected to be of larger scope than that for the West Bay Commercial District. Detailed design is currently being completed and tender documents are expected to be issued by the second quarter of 2005. The first customer service connections on The Pearl-Qatar are planned for the last quarter of 2006. Service will proceed in several phases as island development progresses, leading to full capacity operation within 5 years.

Qatar Cool intends to seek out other district cooling and associated business opportunities to further expand its operations over the coming years.

Al-Sief Linear Alkyl Benzene (LAB) Company

Al-Sief Limited is a joint venture between Qatar Petroleum (QP) and UDC, with QP and UDC holding 80% and 20% of the shares respectively. Al-Sief Limited will be engaged in the production and sale of Linear Alkyl Benzene (LAB), a downstream petrochemical product and essential feedstock to the worldwide detergent manufacturing industry. Total project cost is estimated at about $ 289 million (about QR 1.05 billion).

The joint venture agreement was signed in May 2004 and Al-Sief Limited was incorporated on 15 August 2004, according to a decision issued by His Excellency the Minister of Economy and Commerce. The authorized capital of Al-Sief Limited is QR 300 million. The Board of Directors was formed in September 2004. A formal call to UDC for its share of the initial capital of the company and payment of its share of the incurred project cost was not issued by Al-Sief Limited before the end of 2004. This is anticipated to occur in the first quarter of 2005. UDC will fund its capital requirements through a combination of company equity and a specific project debt facility.

Project construction started in May 2004 at the Mesaieed Industrial City, adjacent to the QP refinery. Progress is ahead of plan and completion is expected by the end of 2005. Commercial production is expected to start in January 2006. QP will be responsible for the operation and maintenance of the plant as well as marketing of the products.

Gulf Formaldehyde Company (GFC)

UDC has a 10% share in Gulf Formaldehyde Company (GFC), a Qatari shareholding company incorporated in the State of Qatar on 3 March 2003. The Company has an authorized and issued capital of QR 40 million. Other shareholders in GFC are Qatar Fertiliser Company (70%), Qatar Industrial Manufacturing Company (15%) and Qatar Ladies Investment Company, Amwal (5%).

GFC is engaged in the production and sale of Urea Formaldehyde Concentrate (UFC), which is used in urea fertilizer granules production. The company's production plant is located within the premises of QAFCO at the Mesaieed Industrial City. Commercial production started in September 2003. QAFCO is responsible for the operation and maintenance of the plant and is the main customer for the UFC produced by GFC; the balance is marketed internationally by QAFCO.

GFC is proving to be a sound investment as GFC has been operating profitably since its inception.

United Development Company Q.S.C.

Consolidated Financial Statements 31 December 2004

Consolidated Financial Statements 31 December 2004

United Development Company Q.S.C.

Consolidated Financial Statements 31 December 2004

Consolidated
Financial
Statements
31 December 2004

Auditors' Report

Auditors' Report

TO THE SHAREHOLDERS OF
UNITED DEVELOPMENT COMPANY Q.S.C.

We have audited the accompanying consolidated balance sheet of United Development Company Q.S.C. as of 31 December 2004 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of United Development Company Q.S.C. as of 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion proper financial records have been kept by the Company and the contents of the directors' report which relate to the financial statements are in agreement with the Company's financial records, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned Law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

A. Mekhael F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

15 February 2005
Doha

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 QR	2003 QR
ASSETS			
Non-current assets			
Property and equipments	5	9,028,388	325,477
Investment properties	6	5,009,764	–
Projects development costs	7	5,131,991	2,131,410
Investment securities	8	178,092,706	98,689,939
Investment in a subsidiary	9	–	5,150,000
Investment in an associate	10	83,305,513	–
		280,568,362	106,296,826
Current assets			
Work in progress	11	72,750,945	9,614,027
Accounts receivable and prepayments	12	124,519,552	9,106,083
Bank balances and cash	13	208,852,625	442,851,772
		406,123,122	461,571,882
TOTAL ASSETS		686,691,484	567,868,708
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	500,000,000	500,000,000
Legal reserve	15	6,159,780	2,954,557
Cumulative changes in fair values		55,773,456	10,241,668
Retained earnings		55,438,023	26,591,013
		617,371,259	539,787,238
Minority interest		14,509,218	–
Total equity		631,880,477	539,787,238
Non-current liabilities			
Employees' end of service benefits	16	313,464	–
Current liabilities			
Accounts payable and accruals	17	54,497,543	28,081,470
TOTAL EQUITY AND LIABILITIES		686,691,484	567,868,708

Hussain Ibrahim Alfardan
Chairman of the Board

Khalil P. Sholy
Board Member and Managing Director

The attached notes 1 to 23 form part of these financial statements.

Consolidated Income Statement

Year Ended 31 December 2004

	Notes	2004 QR	2003 QR
Income from The Pearl-Qatar			
Revenue from plot sales		13,463,351	–
Cost of plot sold		(7,137,900)	–
		6,325,451	–
Other income			
Bank interest		3,786,437	4,331,792
Gain on sale of investment securities		27,537,055	10,231,171
Dividend income		3,693,517	5,000
Other income		1,358,642	23,880
		36,375,651	14,591,843
		42,701,102	14,591,843
General and administration expenses	3	(11,675,164)	(4,837,349)
NET PROFIT FROM OPERATION		31,025,938	9,754,494
Share of profit of an associate		685,513	–
NET PROFIT FOR THE YEAR		31,711,451	9,754,494
Attributable to:			
Equity holders of the parent		32,052,233	9,754,494
Minority interest		(340,782)	–
		31,711,451	9,754,494
Basic earnings per share	4	0.64	0.20

The attached notes 1 to 23 form part of these financial statements.

Consolidated Cash Flow Statement

Year Ended 31 December 2004

	Notes	2004 QR	2003 QR
OPERATING ACTIVITIES			
Net profit for the year		31,711,451	9,754,494
Adjustments for:			
Share of profit of an associate		(685,513)	–
Depreciation		1,255,080	167,569
Realised gain on sale of investment securities		(27,537,055)	(10,231,171)
Interest income		(3,786,437)	(4,331,792)
Dividend income		(3,693,517)	(5,000)
Provision for end of service benefits		313,464	–
Operating loss before working capital changes:		(2,422,527)	(4,645,900)
Work in progress		(63,136,918)	(9,614,387)
Accounts receivable and prepayments		(115,413,469)	(9,424,294)
Accounts payable and accruals		26,416,073	27,619,469
Net cash (used in) from operating activities		(154,556,841)	3,934,888
INVESTING ACTIVITIES			
Projects development costs		(3,000,581)	(2,131,050)
Purchase of property and equipments		(9,957,991)	(197,650)
Purchase of investment properties		(5,009,764)	–
Proceeds from disposal of investments		74,272,959	100,297,497
Purchase of investments securities		(75,456,883)	(179,978,097)
Investment in an associate		(82,620,000)	–
Interest income		3,786,437	4,331,792
Dividend income		3,693,517	5,000
Net cash used in investing activities		(94,292,306)	(77,672,508)
FINANCING ACTIVITIES			
Share capital called during the year		–	390,000,000
Contribution from minority shareholders		14,850,000	–
Net cash from financing activities		14,850,000	390,000,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(233,999,147)	316,262,380
Cash and cash equivalents at the beginning of the year		442,851,772	126,589,392
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	208,852,625	442,851,772

The attached notes 1 to 23 form part of these financial statements.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

Year Ended 31 December 2004

	Share Capital QR	Legal Reserve QR	Cumulative Changes in Fair Values QR	Retained Earnings QR	Total QR	Minority Interest QR	Total Equity QR
Balance at 1 January 2003	110,000,000	1,979,108	–	17,811,968	129,791,076	–	129,791,076
Increase in share capital	390,000,000	–	–	–	390,000,000	–	390,000,000
Net profit for the year	–	–	–	9,754,494	9,754,494	–	9,754,494
Net movement in unrealised gains on available for sale investments	–	–	10,241,668	–	10,241,668	–	10,241,668
Transfer to legal reserve	–	975,449	–	(975,449)	–	–	–
Balance at 31 December 2003	500,000,000	2,954,557	10,241,668	26,591,013	539,787,238	–	539,787,238
Net profit (loss) for the year	–	–	–	32,052,233	32,052,233	(340,782)	31,711,451
Contribution from minority shareholders	–	–	–	–	–	14,850,000	14,850,000
Net movement in unrealised gains on available for sale investments	–	–	45,531,788	–	45,531,788	–	45,531,788
Transfer to legal reserve	–	3,205,223	–	(3,205,223)	–	–	–
Balance at 31 December 2004	500,000,000	6,159,780	55,773,456	55,438,023	617,371,259	14,509,218	631,880,477

The attached notes 1 to 23 form part of these financial statements.

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

United Development Company Q.S.C. (the "Company") was incorporated as a Qatari Shareholding Company in accordance with the Amiri Decree number (2) on 2 February 1999. The establishment of the Company was declared during the General Assembly meeting held on 5 July 1999.

The principal activity of the Company is to contribute and invest in all kinds of development projects including production and distribution of industrial products and services.

The head office of the Company is located in Al Fardan Centre, PO Box 7256 and the Company employed 51 employees as of 31 December 2004 (2003:10 employees).

The consolidated financial statements for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 15 February 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of Qatar Commercial Companies' Law.

The financial statements have been presented in Qatari Riyals.

Basis of consolidation

The consolidated financial statements comprise the financial statements of United Development Company Q.S.C. and its subsidiary, Qatar District Cooling Company Q.C.S.C. as at 31 December 2004. Qatar District Cooling Company Q.C.S.C. is a private closed shareholding company incorporated in the State of Qatar and is mainly engaged in the construction, ownership and operation of district cooling systems. The Company owns 50.5% stake in the subsidiary. As the subsidiary commenced operations in November 2003, the investment in subsidiary has been carried at cost in year 2003 and no consolidated financial statements had been prepared for that year. The financial statements of the subsidiary are prepared for the 14 months ended 31 December 2004 using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions including unrealised profits arising from inter-company transactions have been eliminated in full. Minority interest represents the interest in the Qatar District Cooling Company Q.C.S.C., not held by the United Development Company Q.S.C. As of the balance sheet date the subsidiary was in the early stages of establishment.

Accounting convention

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

The accounting policies are consistent with those used in the previous year.

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Revenue recognition

Revenue on sale of plots 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 or physical work done. In determining the application of the percentage of completion, the following criteria must be met:

1. A sale has been consummated and a contract is signed.
2. The sale contract commits the buyer so that he is unable to obtain a refund except for non delivery of the unit.
3. The amount of the deposit and stage payments have been agreed.
4. Total sales proceeds and costs can be reasonably estimated.
5. The seller has no continuing involvement after the construction is complete.

Gain on sale of investments is recognised when the rewards of ownership of the goods have passed to the buyer and the sales amount can be measured reliably.

Interest revenue is recognised as the interest accrues.

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

Available for sale investments

After initial recognition, investments are classified "available-for-sale," and are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, along with any transition adjustment to retained earnings arising from the adoption of IAS 39, is included in the income statement for the period.

For investments actively traded in organised financial markets, fair value is determined by reference to the market price.

Investments in associates

The Company's investments in associates are accounted for under the equity method of accounting. These are entities in which the Company has between 20% to 50% of the voting power or over which it exercises significant influence. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associates.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Building improvements	5 years
Furniture and equipments	2 to 5 years
Motor vehicles	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Property and equipment (contd.)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Investment properties

Properties are considered as investment properties only when they are being held to earn rental or for capital appreciation or both. Investment properties are measured at cost.

Projects development costs

Costs directly attributable to the construction of the cooling plants are capitalised as construction work in progress. When the asset is brought to working condition for its intended use, it is transferred to plant and equipment. Unsuccessful projects are written off to the income statement.

Cash and cash equivalents

This includes cash and cash at the bank and short term deposits with an original maturity of three months or less.

Accounts receivable

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 as incurred.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

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.

Employees' end of service benefits

The Company 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. The expected costs of these benefits are accrued over the period of employment.

Notes to the Consolidated Financial Statements

At 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Fair values

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

3. GENERAL AND ADMINISTRATION EXPENSES

	2004 QR	2003 QR
Staff related costs	2,539,380	835,214
Distribution costs	205,905	88,009
Depreciation	193,911	128,397
DSM registration fees	1,318,863	158,630
Other general and administration expenses	1,645,636	1,547,199
Project development costs (DOHAL Phase 1)	5,771,469	2,079,900
	11,675,164	4,837,349

4. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2004 QR	2003 QR
Profit for the year attributable to equity share holders of parent	32,052,233	9,754,494
Weighted average number of shares outstanding	50,000,000	50,000,000
Earnings per share	0.64	0.20

5. PROPERTY AND EQUIPMENTS

	Building Improvements QR	Furniture and Equipments QR	Motor Vehicles QR	Total QR
Cost:				
At 1 January 2004	–	653,383	168,000	821,383
Additions	7,415,073	1,600,418	942,500	9,957,991
At 31 December 2004	7,415,073	2,253,801	1,110,500	10,779,374
Depreciation:				
At 1 January 2004	–	453,906	42,000	495,906
Depreciation charge for the year	817,897	310,002	127,181	1,255,080
At 31 December 2004	817,897	763,908	169,181	1,750,986
Net carrying amount:				
At 31 December 2004	6,597,176	1,489,893	941,319	9,028,388
At 31 December 2003	–	199,477	126,000	325,477

The depreciation charge has been allocated as follows:

	2004 QR	2003 QR
Project development costs	1,061,169	39,172
General and administration expenses	193,911	128,397
	1,255,080	167,569

6. INVESTMENT PROPERTIES

Investment properties represent a land purchased in the West Bay area and leased to Qatar District Cooling Company Q.C.S.C. for a period of 20 years. Since the investment was acquired during the year, management is of the opinion that its fair value approximates its carrying value as of the balance sheet date.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

At 31 December 2004

7. PROJECTS DEVELOPMENT COSTS

	2004 QR	2003 QR
Cooling plants - Qatar Cool (i)	4,789,945	–
LAB Project (ii)	342,046	51,510
Doha Aluminum Company (DOHAL), Phase I (iii)	–	2,079,900
	5,131,991	2,131,410

(i) These relate to the costs incurred to date for the cooling plants being constructed in the West Bay area by Qatar District Cooling Company Q.C.S.C.

(ii) Preliminary investigation on Qatar Petroleum (QP) 20% offer on their planned Linear Alkyl Benzene (LAB) plant to be built next to the refinery in Mesaieed area.

(iii) During the year, the Company wrote off the costs incurred on the DOHAL project after the withdrawal of the foreign partner.

8. INVESTMENT SECURITIES

As of the balance sheet date investment securities comprise the following:

	2004 QR	2003 QR
Available for sale investments – quoted	174,092,706	89,953,439
Available for sale investments – unquoted	4,000,000	5,050,000
Investments held to maturity	–	3,686,500
	178,092,706	98,689,939

9. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary represents a 50.5% shareholding in Qatar District Cooling Company Q.C.S.C., a private closed shareholding company incorporated in the State of Qatar, mainly engaged in the installation of cooling systems. The subsidiary commenced operations in November 2003. As the subsidiary was in the early stages of establishment in 2003, the investment was carried at cost and was not consolidated in the 2003 financial statements.

10. INVESTMENT IN AN ASSOCIATE

During the year the company contributed QR 82,620,000 as a founder shareholder in Qatar Dredging Company Q.S.C. The company's share amounts to 45.9% of the capital of the associate which is involved in the marine related work of dredging, revetment and waste management activities in the State of Qatar.

11. WORK-IN-PROGRESS

	2004 QR	2003 QR
The Pearl-Qatar	72,750,945	9,614,027

Work in progress comprise costs incurred on the construction of a man made island (The Pearl-Qatar) close to the West Bay Lagoon with an approximately area of 4.1 million square meters. The Island will comprise of residential, commercial and leisure buildings. Plan for first occupancy towards mid of 2007.

12. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2004 QR	2003 QR
Amount due from related parties (Note 18)	95,000,000	584,658
Post dated cheques	13,330,619	7,818,600
Advances to subcontractors	15,147,839	–
Prepaid expenses and other assets	598,495	597,593
Accrued interest	442,599	105,232
	124,519,552	9,106,083

13. BANK BALANCES AND CASH

	2004 QR	2003 QR
Cash on hand	20,978	3,195
Current and call accounts	157,009,587	412,949,312
Fixed deposits with maturities of three months or less	51,822,060	29,899,265
	208,852,625	442,851,772

Current and call accounts of QR 157,009,587 (2003 – QR 412,949,312) are with commercial banks in Qatar. Included in Current and call accounts is an amount of QR 55,867,343 (31 December 2003 - QR 79,279,817) denominated in United States Dollars. Fixed deposits earn an effective annual interest rate ranging from 1.25% to 1.50% (31 December 2003 – 1.25% to 1.70%).

Notes to the Consolidated Financial Statements

At 31 December 2004

14. SHARE CAPITAL

	2004 QR	2003 QR
Authorised, issued and paid-up capital of 50,000,000 shares of QR 10 each	500,000,000	500,000,000

15. LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002, 10% of the profits for the year have been transferred to a legal reserve. Transfers may cease when the reserve totals 50% of the share capital. The reserve is not available for distribution, except in the circumstances stipulated by the Qatar Commercial Companies' Law no. 5 of 2002.

16. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	2004 QR	2003 QR
Provided during the year	313,464	–
Provision as at 31 December	313,464	–

17. ACCOUNTS PAYABLE AND ACCRUALS

	2004 QR	2003 QR
Accounts payable and other liabilities	19,023,369	9,497,467
Advances received from customers	15,097,002	–
Other payables	18,268,440	18,255,624
Accrued expenses	1,329,524	266,282
Retention payable	282,900	–
Amounts due to related parties (Note 18)	496,308	62,097
	54,497,543	28,081,470

18. RELATED PARTY TRANSACTIONS

These represent transactions with related parties., i.e. shareholders, directors and companies in which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

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

	2004 QR	2003 QR
Support services	507,971	–
Finance and administrative charges	747,549	–
Rental expenses	875,524	161,376
Fixed assets acquired	2,142,085	120,000
Sub contract work	13,712,321	–

Amount due from and to related parties are disclosed in notes 12 and 17 respectively.

19. CONTINGENT LIABILITIES

	2004 QR	2003 QR
Bank guarantees	1,003,000	3,000
Certified cheque	5,000,000	–

20. CAPITAL COMMITMENTS

	2004 QR	2003 QR
Contractual commitments to subcontractors/suppliers	850,266,712	–

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

At 31 December 2004

21. FINANCIAL RISK MANAGEMENT

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. However, management is of the opinion that the Company's exposure to currency risk is minimal.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The management is of the opinion that the Company's exposure to interest rate risk is minimal.

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 Company monitors credit exposures, and continually assess the creditworthiness of counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities and commitments when they fall due. Due to the nature of operation, management is of the opinion that the Company's exposure to liquidity risk is minimal.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, investments and other receivables. Financial liabilities consist of payables, and accrued expenses.

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

23. COMPARATIVE AMOUNTS

The corresponding figures for 2003 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.