

UDC 2010 Annual Report



Pursuit of
Excellence
and Progress

Creating partnerships
for progress.

Together we raise the
flag of Qatar.



H.H. Sheikh Hamad Bin Khalifa Al Thani
The Emir of the State of Qatar



H.H. Sheikh Tamim Bin Hamad Al Thani
The Heir Apparent

Diligence in identifying
growth opportunities
defines our success.

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Board of Directors

To achieve more excellence,
we drive innovation,
demonstrate effective
leadership, embrace
change and collaborate
with one another.



FROM LEFT, STANDING:

H.E. Abdul Rahman Bin Hamad Al-Attiyah
Director

Mr. Khalifa Abdulla Turki Al-Subai
Director

Mr. Khalil P. Sholy
Managing Director / President

Mr. Omar Hussain Alfardan
Director

Mr. Abdulrahman Abdullah Abdulghani
Nasser
Director

FROM LEFT, SITTING:

H.E. Sheikh Ahmed Bin Nasser Bin Faleh Al Thani
Director

H.E. Abdulla Bin Khalifa Al-Attiyah
Deputy Chairman

Mr. Hussain Ibrahim Alfardan
Chairman

Mr. Mohammed Hamad Abdulla Almana
Director

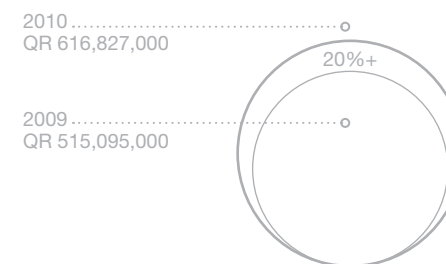
STEADY AND RELIABLE ...

UDC is in a period of excellent growth. We are investing more to meet the demands of today's markets, while also preparing for the future.

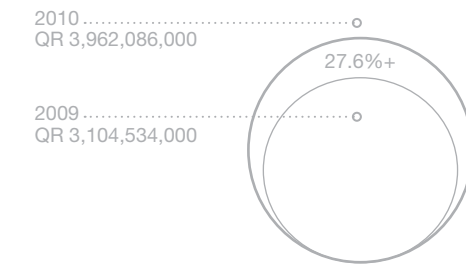
For the years ended December 31

| | 2010 | 2009 | % Change |
|---------------------------|------------------|-----------------|----------|
| Profit | QR616,827,000 | QR515,095,000 | 20% |
| Earnings per Share | QR4.45 | QR3.77 | 18% |
| Total Equity | QR3,962,086,000 | QR3,104,534 | 27.6% |
| Total Assets | QR10,877,722,000 | QR8,963,980,000 | 21.3% |

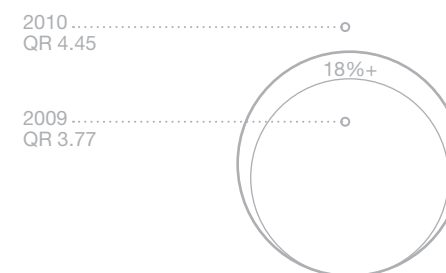
Growth in Net Profit



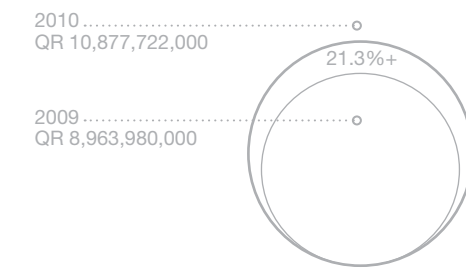
Growth in Total Equity



Growth in Earnings Per Share



Growth in Total Assets



Chairman's Message



Hussain Ibrahim Alfardan
Chairman of the Board

We're Focused on the Opportunities Ahead

I am pleased to once again report to you as Chairman of United Development Company (UDC), particularly in this, our 11th year since the company was founded.

Much has changed since our first year of operations – but our core values have remained the same. The application of our values has transformed UDC into a leading regional company, and they continue to drive our performance and our prospects.

In 2010, we had the best year in our 11-year-history. We're ready for more.

Led by the outstanding performance of many of our subsidiaries and partnerships, we achieved our fifth consecutive year of record results. Revenues approached QR1.2 billion. Net profits increased by 20% to QR617 million. We created new subsidiaries and partnerships in 2010 by aggressively pursuing our expansion strategy of developing business opportunities in industries as diverse as urban development, technology, services, insurance, fashion and hospitality.

While 2010 marked a year of solid achievements for United Development Company, 2011 marks a year in which we look ahead for more growth and accomplishments. We see clear signs of long-term opportunities and we plan to grasp them under the guidance and wise leadership of HH the Emir, Sheikh Hamad Bin Khalifa Al Thani, and in tandem with Qatar's National Vision of steady, sustainable growth. We are fortunate that UDC is well-positioned in a variety of global industries that remain vital; and although we will face challenges as we implement our strategies, I am confident that we have the right resources, the right solutions and the right people to succeed in the years ahead.

I would like to thank our shareholders who continued to show trust and confidence in our vision for the expansion and development of our company. The proof of our company's high level of professionalism, inventiveness, creativity and commitment is clear: United Development Company has served customers, recognized and rewarded employees and delivered value to its shareholders successfully in good times as well as in tough years. We will continue to seek opportunities to do so while contributing positively to the wider community and to the development of Qatar and the region for many years to come.

We see clear signs of long-term opportunities and we plan to grasp them under the guidance and wise leadership of HH the Emir, Sheikh Hamad Bin Khalifa Al Thani, and in tandem with Qatar's National Vision of steady, sustainable growth.

Managing Director & President: Letter to The Shareholders

Prepared for More ...

2010 was another testing year for businesses worldwide. Nevertheless, our revenues approached QR1.2 billion and net earnings grew by 18% to QR4.45 per share.

We will continue to deliver attractive results in the years ahead. Our confidence is based on our approach to focusing on our strategic priorities, including growth, innovation, customer relations, excellence, human resources, value creation and social responsibility.

Our number one objective is profitable growth. Five years ago, our revenues totaled QR648 million, coming mainly from sales of residential plots and units in The Pearl-Qatar. Today, our revenues are almost 1.8 times higher as a result of diversification of UDC businesses and investments.

In 2010, we continued to grow through acquisitions and the expansion of our existing businesses. Acquiring new brands in the hospitality, fashion and food & beverages industry diversifies our portfolio and strengthens our position as a leading private-sector company.

While successfully moving our hospitality and fashion brands out into new markets, we continued to grow the brand presence of other UDC subsidiaries to new levels. High-level recognition of our company was clearly evident when our flagship development, The Pearl-Qatar, won two prestigious Arabian Property Awards in 2010.

Innovation adds value to our products and brands and increases both the size of our markets and our market shares. In the past two years, we added six new businesses to our growing portfolio of companies. The additions have helped us diversify our resources while filling existing local and regional needs in the sectors of information technology, insurance, smart card services and facilities management. We also introduced several global brands in the fashion and hospitality sectors and expect further additions in the future.

UDC recognizes the importance of customer service. Their demand for excellence strengthens our commitment



We are fully prepared to continue our progress and to seek more growth opportunities. With the well received selection of Qatar to host the 2022 FIFA World Cup, we expect steady growth in all sectors in the coming years.

to quality and brings us success in our markets. Opening the world's largest district cooling plant in The Pearl-Qatar answered customer needs for more efficient, eco-friendly cooling systems. Likewise, opening new restaurants and fashion brands satisfies demands for a wider variety of offerings in the fine dining and luxury shopping sectors. Another example is the new 'Lifestyle Card' we're offering to residents of The Pearl-Qatar. The card will streamline ordering by customers and enhance their convenience and purchasing power.

UDC is a growth oriented company. Over the past three years the number of our full-time employees more than tripled. To continue our success, we must ensure that we attract, develop, retain and inspire the best people at every level across our company's varied sectors of operation.

United Development Company is committed to conducting business in an environmentally responsible and proactive manner, consistent with our commitment to the communities in which we operate. Our goal is to conserve natural resources and minimize waste through source reduction and recycling, handling and disposal of waste through safe, legal and environmentally responsible methods, encouraging energy efficiency, and encouraging our business partners, suppliers and employees to strive for the same high levels of environmental performance.

UDC takes its social responsibilities very seriously as illustrated through UDC's Premier Sponsorship of Qatar's First International Conference on Corporate Social Responsibility, held in Doha in 2010, as well as contributions to a variety of good causes related to health, education and sports.

MOVING AHEAD

Focusing on our core strategies has brought us tremendous success. We will continue to focus on these proven strategies as the region and world slowly, but steadily, progress from a period of financial and economic turmoil to a future that promises more financial stability and economic optimism.

We are fully prepared to continue our progress and to seek more growth opportunities. With the well received selection of Qatar to host the 2022 FIFA World Cup, we expect steady growth in all sectors in the coming years.

In the years ahead, and under the wise leadership of His Highness the Emir, Sheikh Hamad Bin Khalifa Al Thani, we expect growth in all segments of Qatar's economy as infrastructure and social development projects add to the demand for different types of products and services.

Across our businesses, we have proven our ability to set ambitious goals—and to meet them. Now we are ready for more growth and are prepared to move forward with new projects and partnerships. I would like to thank our shareholders, customers, partners, suppliers and, last but not least, employees for their contributions in making 2010 our best year ever. With their continued support, we are prepared to extend that winning performance—in 2011 and beyond. Together, our best is yet to come.

Khalil P. Sholy

Managing Director & President



United Development Company

Ownership: Qatari Shareholding Company

Incorporated: 1999

Sector: Projects Development and Investments



“OPPORTUNITIES
MULTIPLY AS THEY
ARE SEIZED.”

United Development Company (UDC) is one of Qatar’s leading private sector shareholding companies. UDC’s mission is to identify and invest in long-term projects contributing to Qatar’s growth and providing good shareholder value. The company was established in 1999 and listed on the Qatar Exchange in June 2003. It has an authorized share capital of QR 1.341 billion, a market capitalization of QR 3.740 billion and total assets of QR 10.878 billion at 31 December 2010.

UDC’s target areas of interest include: infrastructure, energy-intensive industries, hydrocarbon downstream manufacturing, real estate, maritime and environment-related businesses, urban development and utilities, hospitality, retail and fashion, information technology, media and communications, insurance and other services. From day one, the Company’s mission has been to become a cornerstone in the developments of Qatar and the region, creating lasting value and maximizing returns for partners and shareholders. Through a combination of project activities and commercial enterprise, UDC has developed into the first-choice private sector and joint venture partner for international investors in Qatar, and has successfully established several new companies and investment vehicles across the region.

Since 1999, UDC has moved from researching for projects into development, production and operations. Project research has led to the creation of companies, considered to be among the most successful in their related fields. The Company prides itself in its ability to create quality investment opportunities, both at home and overseas.

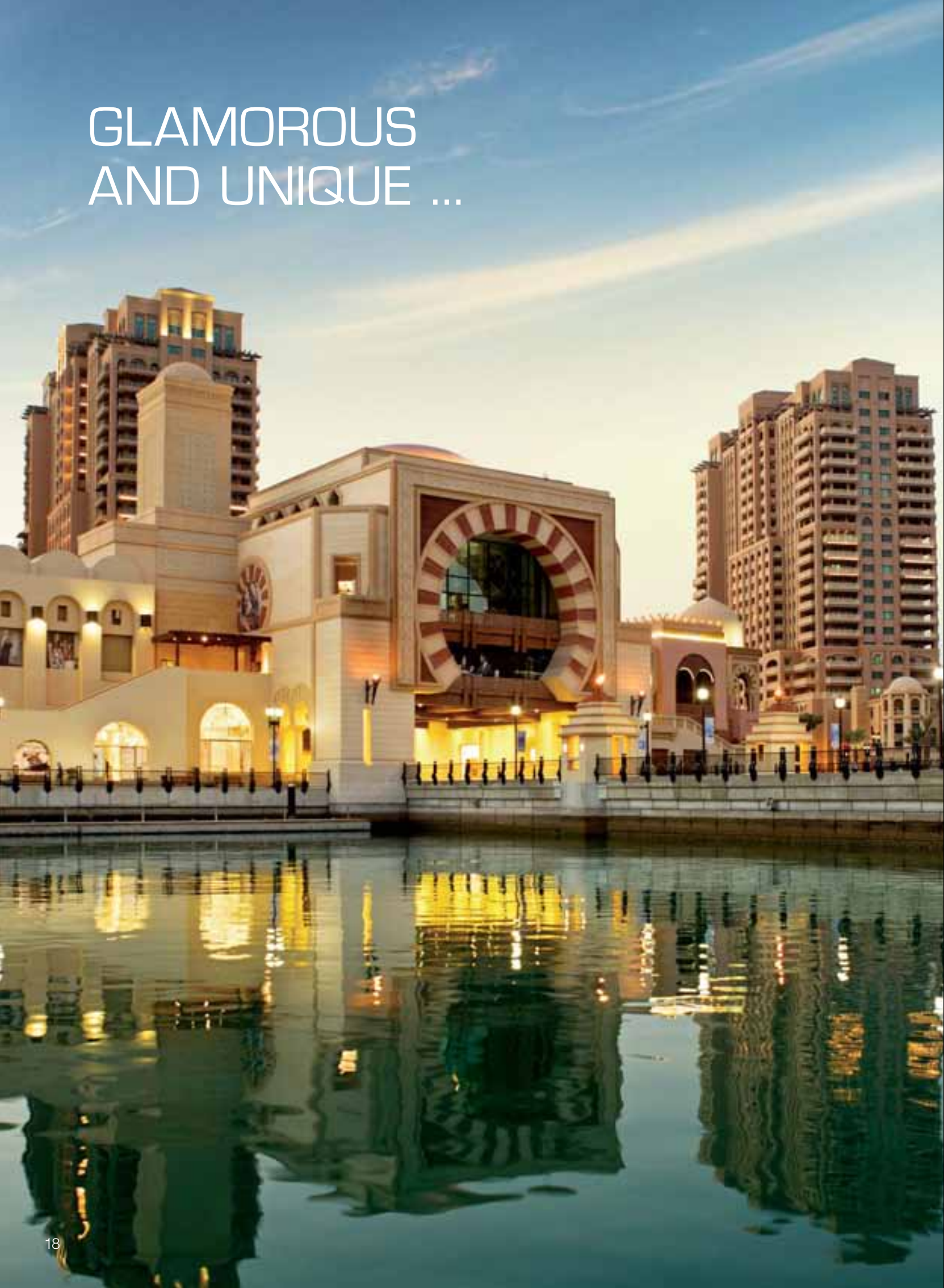
UDC’s founders and current Board Members are among Qatar’s most successful investors and developers. Qatari shareholders own 75 percent of the Company’s total shares while the remaining 25 percent are held by international investors.

The Company continues its quest for excellence and progress by identifying and adding new investments and partnerships to its diversified portfolio of excellent businesses.

From day one, the Company’s mission has been to become a cornerstone in the developments of Qatar and the region ... Through a combination of project activities and commercial enterprise, UDC has developed into the first-choice private sector and joint venture partner for international investors in Qatar, and has successfully established several new companies and investment vehicles across the region.



GLAMOROUS AND UNIQUE ...



The Pearl-Qatar

Ownership: 100% - UDC

Incorporated: 2007

Sector: Island Development

Admired as Doha's "Riviera Arabia," The Pearl-Qatar offers residents and visitors the ultimate luxury and lifestyle experience.

It occupies a prime location off the coast of Doha's West Bay and boasts an assortment of residential accommodations for every taste and style. High-end retail and lavish hospitality, three world-class marinas and an impressive beachfront have made UDC's flagship development the most glamorous address in the Middle East.

What was once a shallow seabed, has in five short years transformed Doha's coastline, creating a place where dreams and reality become one. Four million square meters of reclaimed land, along with 32 kilometers of new seafront, will soon be home to about 41,000 residents occupying a variety of luxury accommodations - these are but few aspects that make The Pearl-Qatar an exclusive location.

The Island was the first development in Qatar to offer freehold and residential rights to international clients. From across the globe, buyers and investors have capitalized on the project's potential. World-class architecture, luxurious amenities and aesthetic nuances exude old-world charm and the best in modern living. The result is as much a destination as it is an experience, blending residential charm with the comfort of an exclusive resort.

The Pearl-Qatar's first phase and gateway to the Island houses the world's longest waterfront luxury retail walkway, the 3.5 kilometer marina-front pedestrian boardwalk "La Croisette", which is home to international hospitality brands and high-end boutiques. 2009 was a year of "firsts," with Porto Arabia seeing new residents and visitors flock to the Island's burgeoning activity.

In 2010, Porto Arabia witnessed the grand openings of a multitude of internationally renowned boutiques. Hermès, Roberto Cavalli, Gianfranco Ferré, Missoni, Stefano Ricci and Harmont & Blaine led the way in 2009, followed by a variety of luxury brands, such as ETRO, Calvin Klein Collection and Salvatore Ferragamo. BiCE Ristorante was the first restaurant to open on the Island in 2009, while 2010 saw the openings of world-class restaurants Pampano, Tse Yang, Burj Al Hamam and Liza.

Porto Arabia again hosted in 2010 numerous exclusive events as well as seasonal live entertainment in the midst of Porto Arabia's award-winning 782-berth marina,

Development of The Pearl-Qatar's 10 precincts is well underway. Upon completion, 18,831 residential dwellings will be in use on the Island.

In a setting previously unimaginable, The Pearl-Qatar offers unique investment opportunities in a safe, relaxed and friendly environment. This is the Middle East's most glamorous address where 'Pearlesque' names—crafted from an intriguing mix of Italian, French, Spanish and Arabic—summon up the charm of the old world with the spirit of the new.

LAND FORMATION ...



Middle East Dredging Company (MEDCO)

Ownership: 45.9% - UDC

Incorporated: 2004

Sector: Dredging and Land Reclamation

Middle East Dredging Company is a joint venture between United Development Company, Dredging, Environmental and Marine Engineering (DEME) of Belgium and the government of Qatar. Incorporated in 2004, MEDCO's first task was the establishment of The Pearl-Qatar's site where it completed dredging and land reclamation work for the Island in 2007.

Aside from The Pearl-Qatar, MEDCO was awarded several major projects in Qatar and the region. The Company led an international consortium as it completed dredging and reclamation work for the New Doha International Airport (NDIA) in 2008. Then in late 2010, MEDCO completed the first two phases for the Qatar-Bahrain Causeway Project and is qualified at present as one of the finalists for the New Doha Port Project Tender, expected to be issued in 2011 for "Access Channel and Outer Breakwater."

While actively seeking and completing projects in Qatar, MEDCO also expanded its regional reach. In 2010, MEDCO completed a major project for Khalifa Port as well as construction of Ras Ghanada Channel Extension and dredging and reclamation works granted by the Department of Presidential Affairs in Abu Dhabi. Other major projects in the UAE are currently underway.

KEY ACHIEVEMENTS IN 2010 AND EXPECTED GROWTH FOR 2011

- Growth in market share in Abu Dhabi, Dubai and Ras Al Khaimah;
- Expansion of the organizational structure to accommodate growth;
- Investment of 100 million Euros to purchase "Al Jarraf", a brand new Cutter Suction Dredger;
- Purchase of two brand new floating pontoons equipped with the latest technology required for accurate rock installation of breakwaters and embankments;
- The achievement of ISO 9001 Certificate;
- Qualification for ISO 14001, expected to be awarded in early 2011;
- Expansion of the MEDCO Abu Dhabi branch office to support bidding for future marine projects;
- Targeting new projects in Saudi Arabia, Bahrain, Oman and Kuwait.

"MEDCO's modern and high tech cutter suction and trailing suction hopper dredgers are deepening waterways and reclaiming new land in the region. Recent investments in the latest cutter suction dredger technology in combination with supporting activities and environmental skills allow us to offer excellent turnkey solutions to clients all over the region and more particularly to the Oil and Gas Industry."

*Laurent Closset
GM, MEDCO*

EFFICIENT COOLING ...

“Our continuous quest for excellence and progress has positioned us as a leading provider of reliable, efficient and environmentally-friendly district cooling services in Qatar.”

Fayad M. Al-Khatib
GM, Qatar Cool

Qatar Cool

Ownership: 51% - UDC
Incorporated: 2004
Sector: District cooling

Qatar Cool celebrated its sixth anniversary in September 2010. Since it was incorporated in 2004, the Company capitalized on UDC's strategic vision to create a centralized utilities company dedicated to the provision of district cooling to both The Pearl-Qatar and Doha's growing industrial, commercial and residential developments.

District cooling entails the production and circulation of chilled water to multiple buildings through a network of insulated underground pipes. In 2010, the Company inaugurated the world's largest district cooling plant, Integrated District Cooling Plant (IDCP), in The Pearl-Qatar. IDCP will service more than 80 apartment towers, beachfront villas and townhouses, shopping complexes, offices, schools and hotels throughout the Island, ultimately supplying more than 130,000 tons of refrigeration to the Island's 41,000 residents.

Two other plants are operational in West Bay, producing 67,000 tons of refrigeration and providing district cooling to 47 West Bay towers.

KEY ADVANTAGES OF DISTRICT COOLING

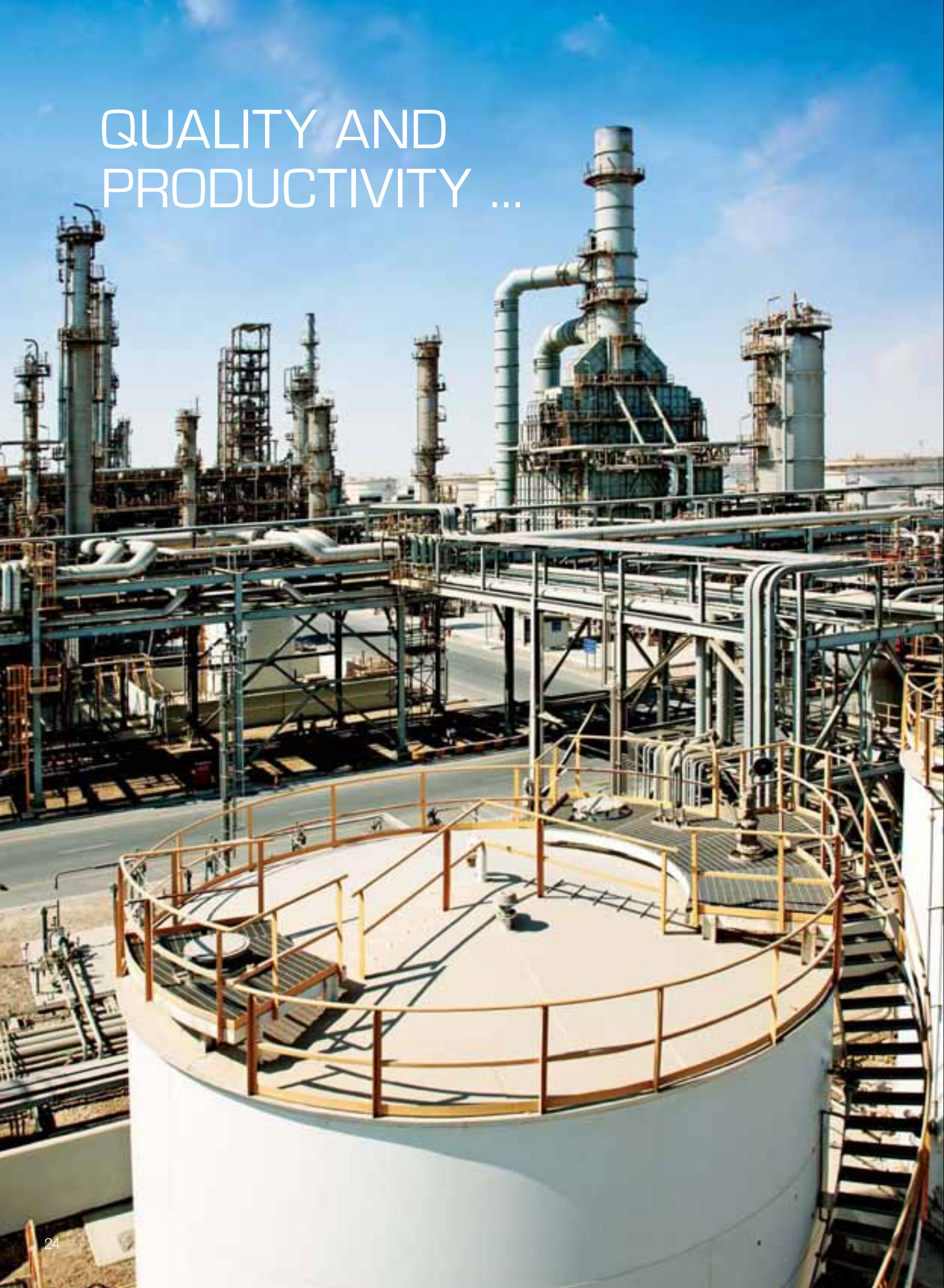
- Reliability:
 - Higher energy utilization and substantially reduced energy consumption;
 - Continuous operations with a back-up system in case of emergency;
- Energy efficient and environmentally sound:
 - Conserves energy and improves operating efficiency;
 - Reduces CO2 levels, resulting in cleaner air;
 - Reduces the need for huge capital investment for A/C equipment on site, bringing cost down while making buildings safer and more environmentally friendly.
- Easy to operate and maintain.
- Comfort and convenience through significant reduction of vibration and noise.

ACHIEVEMENTS IN 2010 AND PLANS FOR 2011

- Qatar Cool won two prestigious international industry awards in June 2010;
- The Company also won the Gold and Silver Awards, positioning Qatar Cool first for the number of buildings it services as well as the total area committed to district cooling;
- Qatar Cool brought The International District Energy Association's Fifth Middle Eastern Conference (Greener Buildings, Smarter Grid) to Qatar for the first time;
- The Company saw steady growth in employment in 2010;
- Two subsidiaries added in 2010:
 - Installation Integrity 2006;
 - CoolTech Qatar;
- Operational improvements and environmental awareness will remain the main focus for 2011;
- With the choice of Qatar to host the World Cup in 2022, plans to have over 90,000 hotel rooms as well as other major construction projects over the next 11 years will shape Qatar Cool's long term business strategy.



QUALITY AND PRODUCTIVITY ...



SEEF Limited

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

SEEF Limited is a company incorporated under the laws of the State of Qatar in July 2004. It is a joint venture between Qatar Petroleum and United Development Company. The shareholders' paid up capital is QR1.00 billion.

The Company owns a plant in Mesaieed to produce Linear Alkyl Benzene (LAB), a hydrocarbon based petrochemical material used to manufacture commercial detergents.

The plant produces more than 100,000 metric tons of LAB per year and some Heavy Alkyl Benzene (HAB), a by-product used as feed stock for the production of lubricant oil.

SEEF adheres to strict environmental policies by following

strict national and international production standards.

The Company expanded to new markets in 2010, supplying products to North and South American clients. It has also introduced CIF sales recently to augment its FOB sales. Moreover, SEEF has successfully increased its presence in international markets by developing sustainable business relationships with multinational detergent manufacturing companies throughout the world.

Through its stake in SEEF, United Development Company leverages its presence in the petrochemical sector, a strategically and economically reliable industry.

United Ready Mix

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

United Ready Mix is a joint venture between United Development Company, BESIX of Belgium and a group of Qatari investors. It has been serving the construction needs of The Pearl-Qatar since 2006.

As the major supplier for contractors at The Pearl-Qatar, United Ready Mix operates three units in the Island, utilizing about 40 mixer trucks to produce more than 60,000 cubic meters of concrete monthly. Other equipments supporting the plants include 12 static concrete pumps and 10 mobile pumps.

Despite increasing competition in the market and a global economic downturn, the Company was able to achieve a reasonable profit in 2010 and has extended its focus to securing additional projects by acquiring additional Ready Mix plants to supply demand.

United Ready Mix always strives to deliver the highest quality of concrete and its production capacity is likely to go up substantially in future years as construction projects in Qatar multiply following FIFA's decision for Qatar to host the 2022 World Cup.





FIVE-STAR
AMBIANCE ...

Hospitality Development Company (HDC)

Ownership: 100% - UDC

Incorporated: 2007

Sector: Hospitality

Hospitality Development Company is a wholly owned subsidiary of United Development Company. It focuses on owning, developing and operating world-class hospitality projects and brands. The Company carries the important strategic role of reinforcing UDC's vision of creating and managing a diverse portfolio of hospitality related businesses. Many of HDC's brands are entering the Middle East market for the first time at The Pearl-Qatar. They include internationally celebrated Latin American, Spanish, Japanese, Chinese and Lebanese restaurants.

HDC BRANDS:

HDC currently operates five restaurants in The Pearl-Qatar. A sixth restaurant is located in the West Bay business district. These restaurants, all joint ventures with various international partners, are:

- **Tse Yang:** an elegant, high-end Chinese restaurant.
- **Pampano:** this Latin American inspired restaurant was created by Chef Richard Sandoval and Maestro Placido Domingo.
- **Liza Café:** a Paris-based restaurant combining Levantine gastronomy with a modern twist.
- **Burj Al Hamam:** "The Art of Lebanese Cuisine" for over 40 years, this elegant restaurant caters to guests in Qatar a wide range of Lebanese traditional dishes and fresh seafood specialties.
- **Bistro 61:** this stylish but casual eatery is located in the West Bay and boasts an extensive menu of popular international dishes as well as traditional Lebanese favorites.
- **Alison Nelson's Chocolate Bar:** a slick, chic and stylish café offering salads, desserts, chocolate and ice-cream.

HDC's ambitious plans include owning and operating an impressive list of hospitality outlets in the future, including three boutique hotels scheduled to open the Pearl-Qatar in 2012 and 2013. One of the hotels, Nikki Beach Resort, is an ultra luxury international resort designed to boast a 47-villa beach club.

HDC's dedication to quality underlines UDC's commitment to target projects that effectuate value-added investments, thus contributing to Qatar's growth and ensuring continuous shareholder benefit. Through HDC's ingenuity and resolve, The Pearl-Qatar will be home to a number of world-class restaurants and resorts in the coming years.

ACHIEVEMENT IN 2010 AND FUTURE PLANS

HDC has opened three restaurants in 2010: Pampano, Tse Yang and Liza Café. In 2011 and beyond, the Company will continue to look for opportunities in order to benefit from the expected economic growth with strategic investments in key markets. With FIFA's announcement awarding Qatar the right to host the 2022 World Cup, HDC finds itself in an advantageous position to benefit from the anticipated positive developments in Qatar over the coming years.

"HDC is committed to providing clients with five-star quality services. Our choice of hospitality brands, our management teams, our reliable operations and our competent customer support are the hallmarks of our commitment to service excellence."

*Darrell Sheaffer
GM, Hospitality Development Company*

FASHION WITH STYLE ...

United Fashion Company (UFC)

Ownership: 100% - UDC
Incorporated: 2008
Sector: Beauty and Fashion

United Fashion Company was formed to bring world-class luxury and mid to mid-upper range brands to The Pearl-Qatar and the rest of the Gulf region. Its long term strategy envisions a network of department stores and boutiques across the Middle East, Central Europe and Asia.

In addition to owning and managing a wide range of boutiques and department stores, UFC also focuses on service-driven products such as men's and women's hair salons, laundry services, tailoring services as well as smaller - but vital - services such as shoe-shine corners and others. UFC's brand portfolio to date includes: Calvin Klein Collection, Domenico Vacca, Etro, George Jensen, Gianfranco Ferre, Harmont & Blaine, Missoni, Rene Caovilla, Salvatore Ferragamo, Santoni and Stefano Ricci.

The Company brings the best of fashion to Qatar at a retail price competitive with those charged at European retailers. Most of the company's leading international brands have opened their flagship Middle East region stores at The Pearl-Qatar. Expansion throughout the region will follow in future years.

UFC's core customer market is diverse, reflecting the company's brand portfolio for men and women. Future strategies call for diversification by bringing in popular fashion brands catering to middle income customers.

2010 marked an active year for UFC when the company launched and opened a variety of fashion stores in Porto Arabia at The Pearl-Qatar. The list includes: Salvatore Ferragamo, Santoni, Calvin Klein Collection, Rene Caovilla, Etro and others.

Likewise growth will continue in 2011 and will see United Fashion Company launch a host of new brands to include names such as Lancel, La Perla and Brunello Cucinelli, to mention a few.

UFC will also introduce the Royal Avenue Beauty Department Store in 2011. This store will serve as the flagship cosmetics and fragrance retailer on the Island. Opening in a prestigious location on 1 La Croisette, it will sell the world's leading cosmetic brands and boast the largest fragrance hall in Qatar.

“Because fashion is one of the most fundamental ways in which consumers in the region express themselves, they tend to seek more relevance and brands with heritage and a real story behind them. They want to invest in products and brands that offer unique, sustainable design, quality and materials - something United Fashion Company has made available through the brands it brought to Qatar.”

*Theo Swart
GM, United Fashion Company*

SUPERIOR LIVING EXPERIENCES ...



The Medina Centrale Company

Ownership: 100% - UDC

Incorporated: 2008

Sector: Real Estate Development

The name Medina Centrale aptly describes the central location of this vibrant district The Pearl-Qatar, nestled between the residential, shopping and dining district of Porto Arabia and the relaxed, family oriented beachfront of Viva Bahriya. The district has been conceived from the outset as the heart of The Pearl-Qatar. It embraces the causally debonair elegance of a luxurious European lifestyle destination, blending the vital energy of modern-day Qatar with Mediterranean-influenced architectural styling.

The entire Medina Centrale District is being developed as a single, mixed-use property development. It will comprise:

- 545 residential apartments;
- 600,000 square feet of retail space;
- 3,400 car parking spaces

The Medina Centrale Company will retain ownership of the development as an investment aimed at deriving rental income from the various components of the property.

KEY ADVANTAGES

Residents in the Medina Centrale district will benefit from the substantial green parks, water features, on-street parking and the convenience of having a full array of retail facilities in open air promenades and acclimatized indoor shopping at their doorstep. The district's Central Piazza boasts a centralized gathering place, an amenity well-suited to host public activities and community events.

The diverse retail services offered will draw customers from a much wider catchment and include:

- The only full time supermarket in The Pearl-Qatar;
- 1900-seat cinema complex;
- Doha's second Qatar Distribution Company (QDC) store;
- More than 100 quality retail units;
- 30 to 40 restaurants and cafes from around the world;

Retailer interest in Medina Centrale is very strong. This is due to the following:

- The strength of the proposed retail mix;
- The design which is aimed at customer convenience;
- Central location.

There is also keen interest in the leasing component. Demand to lease residential property in Medina Centrale will be driven by the attractiveness of living in a central community characterized by low-rise buildings, abundant parks and the interesting retail mix.

ACHIEVEMENTS IN 2010 AND PLANS FOR 2011

- 40% completion of built-up area of residential apartments;
- Completion of core and shell works for retail shops in all parts of Medina Centrale
- Near completion of car parking areas.

THE FOLLOWING ARE EXPECTED TO BE COMPLETED IN 2011:

- Built-up areas of residential apartments;
- Conservatory Mall;
- Landscaping and water feature installation.

First residents are expected to move in by mid 2011, followed by the opening of the first retailer—Spinneys Supermarket—shortly thereafter.

With its charming Mediterranean design, Medina Centrale reflects a cherished exploration experience inviting pedestrians to interact in a true urban village-like atmosphere.

CHARACTER IN DESIGN AND DEVELOPMENT ...



The Pearl Fund

Ownership: 51% - UDC

Incorporated: 2007

Sector: Real Estate Fund

OVERVIEW

The Pearl-Qatar Real Estate Fund was established to develop the majority of precincts within Qanat Quartier.

The components of Qanat Quartier, currently being developed by The Pearl Fund, are as follows:

- 977 residential apartments in 31 buildings;
- 188 townhouses;
- 320,000 square feet of retail space;
- 1,130 car-parking spaces.

The majority of apartments and townhouses have been pre-sold. On completion, UDC will acquire from the Fund the remaining 49% ownership of the retail section and will hold it under a separate investment entity.

Qanat Quartier is one of the most interesting and recognized precincts in The Pearl-Qatar. Its design incorporates canals reminiscent of Venetian waterfront living, as well as various Venice-like bridges, each characterized by a distinct theme.

Authenticity is a key ingredient to the success of Qanat Quartier. The development remains true to the city upon which it is based, down to the minute details that include use of the same brand of paint applied to buildings in Venice.

Residents in Qanat Quartier will be drawn to the beautiful architecture and "live on water" lifestyle that the precinct offers. Water taxis will transport visitors and residents to locations within Qanat Quartier as well as to other districts throughout The Pearl-Qatar.

The district will boast retail areas located on Venetian-themed boardwalks. A variety of store types will be offered, including:

- Gourmet food market;
- Small fashion boutiques;
- Art galleries and antique stores;
- Small gift shops;
- Restaurants and cafes;
- Day spas and indulgence center;
- Specialized gymnasiums.

CUSTOMERS AND MARKETS

Retailers are naturally drawn to the unique character of Qanat Quartier. Upon completion, the district will become a hub for those interested in arts and antiques as well as the feel and charm of Qanat Quartier itself.

Residential demand has already proven to be strong, and high levels of sales have been recorded to date. This is likely to continue as the project nears completion.

ACHIEVEMENTS IN 2010 AND 2011 LOOK AHEAD

The first four precincts of Qanat Quartier were substantially completed in 2010. In addition, infrastructure work progressing on schedule includes:

- The extensive canal system;
- Pneumatic waste transfer system;
- Power and water.

The majority of piazzas have been completed, along with extensive boardwalks alongside the canal edges.

In 2011, the following are expected to be completed:

- Eight apartment precincts, totaling 977 units;
- Three townhouse precincts, totaling 188 units;
- Fifteen bridges, including a replica of the Rialto Bridge.
- Two hundred retail units and associated parking.

First residents are expected to move in by late 2011.

Developed by The Pearl Fund, Qanat Quartier is celebrated for its colorful Venetian character, beautiful intricate canals and pedestrian-friendly squares and plazas.

MARINA EXPERTISE ...

Ronautica Middle East

Ownership: 100% - UDC

Incorporated: 2007

Sector: Marine Industry

Ronautica Middle East has become a trusted name in marina management and nautical services. After its incorporation in 2007, the Company quickly established itself as a regional authority in the marine industry, spearheading the region's luxury boating business.

Ronautica Middle East boasts a team of seasoned marina specialists and is charged with the creation and management of The Pearl-Qatar's three world-class marinas. They include the marina at Porto Arabia which can moor 782 vessels and is able to accommodate yachts up to 100 meters long. More importantly, the marina provides access to an innovative vacuum sewage system set at every mega yacht's berth. These world-class marina facilities allowed The Pearl-Qatar to win CNBC's International Award for Marina Development in 2007.

Plans for the Porto Arabia marina comprise a state-of-the-art system of on-dock fueling for the Island's mega yachts and a fueling berth located at the marina's entrance.

In addition to developing the Island's marina infrastructure, Ronautica Middle East provides The Pearl-Qatar with a full range of premier services. These services cover hassle-free entrance to the marina, yacht sales, maintenance, service a range of nautical activities. Ronautica Middle East is Qatar's exclusive distributor of many top-name brands, including Bayliner, Meriden, Zodiac and Sunreef Yachts.

Several luxury boats regularly docked at the marina in Porto Arabia in 2009 and 2010. They included the 35-meter Benetti, the luxury Mangusta 105, several Rivas, and the Boston Whaler flagship yacht—the "370 Outrage"—considered the largest Boston Whaler ever built.

Ronautica Middle East also organized boat exhibitions in 2010 in coordination with the numerous retail, hospitality and entertainment events hosted at The Pearl-Qatar. These exhibition shows benefit Ronautica's regional boat dealers while drawing attention simultaneously to The Pearl-Qatar's spectacular waterfront living environment.

Ronautica Middle East's plans for 2011 include providing water shuttle services throughout Porto Arabia as well as around The Pearl Qatar.

"With years of experience in the marina industry, Ronautica Middle East can provide a comprehensive range of services covering all aspects of marina development and management. Whether an existing site or at pre-construction stage, we can help you maximize the business potential of your marina or mooring site."

*Jaume Marcó
GM, Ronautica Middle East*

CREATIVITY IN PRACTICE ...



SCOOP

Ownership: 100% - UDC
Incorporated: 2008
Sector: Media & Advertising

OVERVIEW

SCOOP is the flagship media and advertising agency of United Development Company. One of SCOOP's major assignments is to manage the vast potential of media and advertising space at The Pearl-Qatar. Here, the Company aims to develop first-class out-of-home (indoor, digital and outdoor) visual media opportunities designed to attract public attention, brand awareness and investment opportunities to The Pearl-Qatar.

CUSTOMERS AND MARKETS

Upon establishment, SCOOP moved quickly to seize a considerable market share by welcoming prominent customers from diverse industries. They included ExxonMobil, Vodafone, Doha Tribeca Film Festival, Barwa Bank, Mercedes-Benz, Qatar Football Association, and others.

SCOOP's strategic market focus extends beyond media and visual communications opportunities on the Island. Rather, its long-term plans call for developing agency capabilities and supplying advertising platforms for businesses and corporations in Qatar and other countries in the region.

ACHIEVEMENTS IN 2010 AND FUTURE PLANS

SCOOP's achievements in 2010 included:

- Awarding of the Outdoor & Street Furniture Media Project to a world-class media manufacturer;
- Consulting and managing the implementation of Ronautica Middle East's Porto Arabia Marina's Way-Finding Project;
- A growing media presence on the Island;
- A growing interest by corporations in Qatar to sign up with SCOOP for advertising space in The Pearl-Qatar.

While SCOOP continues to grow, it remains focused on its original long-term goal of operating as a full-fledged regional media, events and advertising agency.

"We're not just determined to perform and progress, but push to be at the top of our game every day ... with every project we deliver. Striving always to sustain our core mission of securing top-seeded media and communication activities, we remain focused on developing and managing our immediate state-of-the-art Out of Home networks at The Pearl-Qatar."

*Elie Jubran
GM, Scoop*

INNOVATIVE SOLUTIONS ...

Pragmatech

Ownership: 100% - UDC

Incorporated: 2009

Sector: Information Technology

Pragmatech is a wholly owned subsidiary of United Development Company. It was incorporated in 2009 with a focus on creating and delivering innovative information technology services and products.

The company, which operates a branch office in Lebanon, specializes in software engineering and in Internet-based and artificial intelligence solutions. In addition to addressing the information technology requirements of today's modern businesses, Pragmatech commits substantial resources to research and development and is the first in its industry in the MENA region to form a dedicated research and development team focused on developing advanced business solutions in computer science. The scope of operations includes: development and consulting, research and development, and training.

SOLUTIONS BY PRAGMATECH

- Ctrl: a semantic text analysis engine released in November 2010;
- Ctrl-News: an online demo service for Ctrl;
- SnagR: snagging and inspection management software for the MENA region. Pragmatech also markets the software exclusively in Turkey, Greece and the United States.

Many of Pragmatech's clients are global leaders in their respective fields. The list includes:

- Orly, USA;
- Long Beach Convention and Visitors Bureau, USA;
- Village Green Global, USA and Australia;
- The Pearl-Qatar
- Investment Group (IGO), UAE and Syria;
- Sumariya TV, Iraq and Lebanon.

ACHIEVEMENTS IN 2010 AND FUTURE PLANS

- The launch of ctrl and snagR sales in 2010;
- The listing of Pragmatech in the Gibane Group Report on Semantic Technologies along some of the leading software companies and research labs in the world;
- Completion of more than 12 projects for major international clients in 2010;
- Plans for 2011 include the development of four new products: (1) e-commerce specialize portal; (2) a CRM system; (3) two major R&D products;
- Development of the organizational structure in 2011 to accommodate expected future growth.

“Pragmatech enjoys the key advantage of having a pre-assembled young team that has been doing research together for more than 5 years prior to establishing the company and getting the funding from UDC. Their international experience, innovative minds, dedication to research and development (R&D) as well as their affiliation to UDC add to the strong foundation of the Pragmatech team.”

*Walid Saba
Chief Information Officer,
Pragmatech*



AIMING HIGH ...

Asteco Qatar

Ownership: 30% - UDC

Incorporated: 2007

Sector: Real Estate

Asteco Qatar is a joint venture between United Development Company, Commercial Bank of Qatar, Qatar Insurance Company and Asteco Property Management. It offers property management, sales, leasing, research and consultancy services, alongside strata consultancy and management through the Company's dedicated strata division.

Through efficient property management systems and ongoing consultation with developers and owners, the Company facilitates consistent property operations and focuses on client satisfaction.

KEY ADVANTAGES

- Asteco Qatar is the only provider of Co-Owner Association Management or strata management in Qatar;
- The Company's affiliation with Asteco Property Management LLC., which operates in Dubai, Abu Dhabi, Al Ain, Saudi Arabia and Bahrain, benefits Asteco Qatar in its operations in Qatar.

Asteco Qatar's clients come from different industry sectors. They include developers, institutions, corporations, private investors, high net-worth individuals, government bodies and sovereign wealth funds. The Company also represents landlords and tenants of apartment units and villas.

In 2010, Asteco Qatar increased its leasing, property management and consultancy capabilities by providing Co-Owner Association Management consultancy to The Pearl-Qatar for Operations and Management (TPQMO). The portfolio under management in TPQMO now extends to 17 Co-Owners' Associations.

FUTURE PLANS

- Asteco Qatar's market share will expand significantly with the continued development of The Pearl-Qatar;
- The choice of Qatar to host the 2022 FIFA World Cup will create unlimited growth opportunities in the real estate market, and Asteco is expected to benefit from this growth.

Asteco Qatar is a full-service real estate and property management company committed to excellence in all its services. Through efficient property management systems and ongoing consultation with developers and owners, the Company facilitates consistent property operations and focuses on client satisfaction.

PEACE OF MIND ...

Gekko LLC

Ownership: 50% - UDC
Incorporated: 2009
Sector: Business Solutions

GEKKO is a joint venture between United Development Company and Commercial Bank. The company implements state-of-the-art contactless payments technology and customer database management systems. In collaboration with leading vendors such as Oracle, Microsoft and Visa, GEKKO provides credit and pre-paid payment cards, as well as security access and other services to residents of The Pearl-Qatar.

Following implementation of an intelligent infrastructure on the Island in early 2010, GEKKO launched 'The Pearl-Qatar Lifestyle Card'. This marks the first multi-purpose contactless card in Qatar. The technologically advanced tool can be used by eligible members as a payment card worldwide, while also providing access to a range of non-financial applications unique to The Pearl-Qatar, such as security access and Loyalty Rewards.

A limited liability company, GEKKO aims to become Qatar's most successful, profitable and innovative financial solutions marketing company.



In collaboration with leading vendors such as Oracle, Microsoft and Visa, GEKKO provides credit and pre-paid payment cards, as well as security access and other services to residents of The Pearl-Qatar.

Insure Plus

Ownership: 100% - UDC
Incorporated: 2010
Sector: Insurance Agency and Risk Management Consultancy

Insure Plus is an insurance agency incorporated in 2010 to fill a need in the Qatari insurance market for professional and competent agents and risk management consultants.

The Company offers services of the highest professional standards while remaining focused on delivering value to its clients and underwriting partners through expertise and innovation.

The company provides its services as an insurance agency and was created specifically to offer insurance services and risk management consultancy.



HYGIENIC SOLUTIONS ...

Gulf Formaldehyde Company (GFC)

Ownership: 10% - UDC
Incorporated: 2003
Sector: Industrial Manufacturing

Gulf Formaldehyde Company was incorporated in 2003 with a paid up capital of QR40 million. It is a joint venture between United Development Company, Qatar Fertilizer Company (QAFCO), Qatar Industrial Manufacturing Company and Amwal. Operations started in 2004 with a plant located at the QAFCO complex in Mesaieed as part of the Qatar Fertilizer Company's various production plants.

GFC produces 82 tons of Urea Formaldehyde (UFC-85) per day, a viscous liquid with 60 percent formaldehyde, 25 percent urea and 15 percent water. Eighty percent of the UFC-85 produced is consumed by QAFCO and is used as an anti-caking agent in the production of urea, a solid fertilizer and one of QAFCO's primary products. The remainder is exported internationally.

Production at the GFC plant has been progressing steadily, and as a result of QAFCO's continued expansion in the production of fertilizers, GFC is currently building another manufacturing plant of similar capacity to meet QAFCO's demand and export the balance.

Glitter

Ownership: 100% - UDC
Incorporated: 2009
Sector: Facility & Waste
Management

Glitter, the youngest member of the UDC family, was founded in late 2009 to handle facility and waste management in The Pearl-Qatar. The company's vision calls for expansion plans aimed at meeting Qatar's growing needs in the field of Facilities and Waste Management Logistics.

The evolving structure will allow the company to tailor a support program based on the overall goals and strategies of each client. This will allow the management of every aspect of clients' facilities maintenance programs while reducing overall expenses.

Glitter currently employs a full time work force of more than 70. As the company expands into the greater Doha area, the number of staff will progressively grow.



The company's [Glitter] vision calls for expansion plans aimed at meeting Qatar's growing needs in the field of Facilities and Waste Management Logistics.

DOING THINGS RIGHT ...

UDC's top CSR priorities are energy-efficient products, materials use, waste elimination, supply chain standards and supporting the community.



UDC Principles at Work

Corporate Governance

Since its incorporation, United Development Company (UDC) has always maintained a good record of compliance with all applicable rules and regulations. It has constantly reviewed its management control system to maintain transparency and accountability, and enhance the Company's overall performance. In line with that, UDC has fulfilled the requirements of the Code of Corporate Governance for listed companies under the supervision of Qatar Financial Markets Authority (QFMA), and incorporated these requirements within its organizational structure as reflected in its first report submitted to QFMA and circulated to its shareholders. This was achieved through a number of actions that have been implemented by the Board of Directors: UDC has adopted an effective charter for its Board of Directors that reflects the best of Governance practices, and defines the duties and code of conduct for Members of the Board; UDC has also established three Governance Committees: the Nominations Committee, the Audit Committee and the Remuneration Committee, in addition to the Executive and follow-up Committees; It has defined the scope of work and powers in a separate Charter for each of these three Committees; And finally elected the Members of these Committees in accordance with the requirements of the Code of Corporate Governance. UDC has invested a great amount of resources in enhancing the Company's internal controls to maintain highest levels of transparency, accountability and good management practices; and has implemented its financial and accounting functions in accordance with International Financial Reporting Standards (IFRS).

The foregoing demonstrates the Company's belief in the importance of good Governance in improving transparency and the quality of reporting; safeguarding shareholder interests; and establishing an effective corporate culture.

Socially responsible actions make good business sense

United Development Company takes each aspect of corporate social responsibility (CSR) seriously:

- Corporate: making choices that sustain our businesses for the long term.
- Social: acting in ways that respect people and protect the environment.
- Responsibility: expressing United Development Company's character through our words and actions.

By making sustainable choices, we create value over the long term for customers, investors, employees, suppliers and communities. Our customers and investors are asking for more transparency about UDC's corporate responsibility, so we're addressing it. For more details on CSR, visit the corporate responsibility section at www.udcqatr.com.

UDC's top CSR priorities are energy-efficient products, materials use, waste elimination, supply chain standards and supporting the community. We continue to maintain high standards in related areas such as ethics and corporate governance. In 2010, we focused on:

- Improving energy-efficiency and materials use as our products evolve;
- Providing clear labor and environmental standards;
- Strengthening the communities where our people live and work;
- Proactively communicating UDC's progress on corporate responsibility.

UNITED DEVELOPMENT COMPANY P.S.C.
(Public Shareholding Company)

Consolidated financial statements
31 December 2010

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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 2010 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

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 2010, 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

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith and we confirm that the physical count of the inventories was carried out in accordance with the 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 provision 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 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

20 January 2011
Doha
State of Qatar

Ahmed Hussain
KPMG
Auditor's Registration No. 197

Consolidated Statement of Income

For the year ended 31 December 2010

In Qatari Riyals '000s

| | Note | 2010 | 2009 |
|--|------|-----------------|-------------|
| Revenue | | 1,195,142 | 1,492,199 |
| Cost of revenue | | (626,931) | (1,015,093) |
| Gross profit | | 568,211 | 477,106 |
| Dividend income | | 37,716 | 56,149 |
| Other income | 6 | 49,254 | 44,022 |
| Results from sale of investments in equity instruments | | (5,433) | 18,439 |
| Sales and marketing expenses | | (40,560) | (40,215) |
| General and administrative expenses | 7 | (74,160) | (144,817) |
| Impairment loss on available-for-sale investments | | - | (10,270) |
| Results from operating activities | | 535,028 | 400,414 |
| Finance income | | 10,649 | 36,313 |
| Finance costs | | (31,072) | (21,472) |
| Net finance (costs)/income | | (20,423) | 14,841 |
| Net share of results of associates | | 102,222 | 108,159 |
| Profit from continuing operations | | 616,827 | 523,414 |
| Discontinued operation | | | |
| Loss from discontinued operation | | - | (8,319) |
| Profit for the year | | 616,827 | 515,095 |
| Profit attributable to: | | | |
| Owners of the Company | | 597,042 | 505,439 |
| Non-controlling interest | | 19,785 | 9,656 |
| Profit for the year | | 616,827 | 515,095 |
| Earnings per share | | | |
| Basic earnings per share | 8(a) | 4.45 | 3.77 |
| Continuing operations | | | |
| Basic earnings per share | 8(a) | 4.45 | 3.83 |

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

Consolidated Statement of Financial Position

As at 31 December 2010

In Qatari Riyals '000s

| | Note | 2010 | 2009 |
|---|------|-------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 3,049,703 | 2,529,821 |
| Investment property | 10 | 1,346,528 | 1,133,675 |
| Intangible assets | 11 | 9,934 | 3,938 |
| Investments in associates | 12 | 705,947 | 630,124 |
| Long term receivables | 13 | 5,972 | 7,515 |
| Available-for-sale investments | 14 | 463,447 | 551,303 |
| Total non-current assets | | 5,581,531 | 4,856,376 |
| Current assets | | | |
| Inventories | 15 | 209,261 | 141,499 |
| Work in progress | 16 | 3,941,082 | 2,764,473 |
| Accounts and other receivables | 17 | 773,395 | 826,558 |
| Cash and cash equivalents | 18 | 372,453 | 375,074 |
| Total current assets | | 5,296,191 | 4,107,604 |
| Total assets | | 10,877,722 | 8,963,980 |
| Equity and liabilities | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 19 | 1,340,625 | 1,072,500 |
| Legal reserve | 20 | 772,946 | 772,946 |
| Other reserves | 21 | 441,526 | 300,840 |
| Retained earnings | | 831,958 | 517,967 |
| Total equity attributable to owners of the Company | | 3,387,055 | 2,664,253 |
| Non-controlling interest | | 575,031 | 440,281 |
| Total equity | | 3,962,086 | 3,104,534 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Term loans | 24 | 3,497,822 | 3,168,270 |
| Retention payable | 25 | 331,355 | 396,720 |
| Employees' end of service benefits | 26 | 16,315 | 10,008 |
| Total non-current liabilities | | 3,845,492 | 3,574,998 |
| Current liabilities | | | |
| Accounts and other payables | 27 | 1,772,165 | 2,004,007 |
| Term loans | 24 | 1,041,763 | 112,795 |
| Retention payable | 25 | 256,216 | 167,646 |
| Total current liabilities | | 3,070,144 | 2,284,448 |
| Total liabilities | | 6,915,636 | 5,859,446 |
| Total equity and liabilities | | 10,877,722 | 8,963,980 |

These consolidated financial statements were approved by the Board of Directors and were signed on their behalf by the following on 20 January 2011.

Hussain I. 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

In Qatari Riyals '000s

| | 2010 | 2009 |
|--|----------------|-----------|
| Profit for the year | 616,827 | 515,095 |
| Other comprehensive income | | |
| Revaluation of property, plant and equipment | - | 109,790 |
| Net change in fair value of available-for-sale investments | 140,686 | (123,188) |
| Total comprehensive income for the year | 757,513 | 501,697 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 737,728 | 492,041 |
| Non-controlling interest | 19,785 | 9,656 |
| Total comprehensive income for the year | 757,513 | 501,697 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

Attributable to the owners of the Company

In Qatari Riyals '000s

| | Share Capital | Legal reserve | Other reserves (Note 21) | Proposed dividends | Retained earnings | Total | Non- controlling interest | Total equity |
|--|------------------|------------------|-----------------------------|-----------------------|----------------------|------------------|------------------------------|------------------|
| Balance at 1 January 2009 | 1,072,500 | 772,946 | 314,698 | 375,375 | 12,528 | 2,548,047 | 427,003 | 2,975,050 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year | - | - | - | - | 505,439 | 505,439 | 9,656 | 515,095 |
| Other comprehensive income | | | | | | | | |
| Revaluation of land | - | - | 109,790 | - | - | 109,790 | - | 109,790 |
| Net change in fair value of available -for- sale investments | - | - | (123,188) | - | - | (123,188) | - | (123,188) |
| Total other comprehensive income | - | - | (13,398) | - | - | (13,398) | - | (13,398) |
| Total comprehensive income for the year | - | - | (13,398) | - | 505,439 | 492,041 | 9,656 | 501,697 |
| Transfer of foreign currency reserve | - | - | (460) | - | - | (460) | - | (460) |
| Dividends paid | - | - | - | (375,375) | - | (375,375) | - | (375,375) |
| Contribution from non-controlling interest | - | - | - | - | - | - | 20,108 | 20,108 |
| Change in ownership interests in subsidiaries | - | - | - | - | - | - | (16,486) | (16,486) |
| Balance at 31 December 2009 | 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 | 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 | 737,728 | 19,785 | 757,513 |
| Bonus shares issued | 268,125 | - | - | (268,125) | - | - | - | - |
| Contribution to social and sports fund | - | - | - | (14,926) | (14,926) | (14,926) | - | (14,926) |
| Contribution from non-controlling interest | - | - | - | - | - | - | 114,965 | 114,965 |
| Balance at 31 December 2010 | 1,340,625 | 772,946 | 441,526 | 831,958 | 3,387,055 | 3,387,055 | 575,031 | 3,962,086 |

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

In Qatari Riyals '000s

| | Note | 2010 | 2009 |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 616,827 | 515,095 |
| <i>Adjustments for:</i> | | | |
| Net share of results of associates | | (102,222) | (108,159) |
| Depreciation and amortisation | | 51,022 | 29,947 |
| Loss from discontinued operations | | - | 8,319 |
| (Profit)/loss on disposal of assets | | (1) | 71 |
| Results from sale of available-for-sale investments | | 5,433 | (18,439) |
| Impairment on available-for sale investments | | - | 10,270 |
| Net finance cost/(income) | | 20,423 | (14,841) |
| Dividend income | | (37,716) | (56,149) |
| Provision for employees' end of service benefits | 26 | 7,509 | 4,620 |
| | | 561,275 | 370,734 |
| <i>Working capital changes</i> | | | |
| Long term receivables | | 1,543 | 7,318 |
| Inventories | | (67,762) | (82,235) |
| Work in progress | | (1,157,154) | (465,508) |
| Accounts and other receivables | | 53,163 | (141,346) |
| Accounts and other payables | | (246,768) | (442,068) |
| Retention payable | | 23,205 | 161,249 |
| Cash used in operating activities | | (832,498) | (591,856) |
| Employees' end of service benefits paid | 26 | (1,202) | (822) |
| Finance cost paid | | (34,750) | (11,873) |
| Net cash used in operating activities | | (868,450) | (604,551) |

In Qatari Riyals '000s

| | Note | 2010 | 2009 |
|--|------|------------------|--------------------|
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | | (587,374) | (1,119,865) |
| Proceeds from sale of property, plant and equipment | | 59 | 1,078 |
| Time deposits with maturities more than three months | | (45,000) | 65,000 |
| Purchase of available-for-sale investments | | (9,757) | (8,624) |
| Acquisition of intangible assets | | (7,704) | (3,086) |
| Sales proceeds from sale of available-for-sale investments | | 232,866 | 68,851 |
| Additions to Investment properties | | (212,853) | - |
| Interest income | | 10,649 | 36,313 |
| Dividend received from associates | | 26,399 | 29,600 |
| Dividend received from other investee companies | | 37,716 | 56,149 |
| Acquisition of non-controlling interest | | - | (13,500) |
| Net cash used in investing activities | | (554,999) | (888,084) |
| Cash flows from financing activities | | | |
| Proceeds from term loans | | 1,351,886 | 793,835 |
| Repayment of term loans | | (91,023) | (38,256) |
| Contribution from non-controlling interest | | 114,965 | 20,108 |
| Dividends paid | | - | (375,375) |
| Net cash from financing activities | | 1,375,828 | 400,312 |
| Net decrease in cash and cash equivalents | | (47,621) | (1,092,323) |
| Cash and cash equivalents at 1 January | | 375,074 | 1,467,397 |
| Cash and cash equivalents at 31 December | 18 | 327,453 | 375,074 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 7 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 2010 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 "The Pearl-Qatar Project". The Pearl-Qatar Project involves reclamation of land covering an area of 985 acres (4.2 million square meters) into a manmade island and the development of the island into various districts comprising housing beachfront villas, town homes, luxury apartments, retail shopping complex, 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 expected 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 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 20 January 2011.

(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 land.

(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 and 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. The Group treats "significant" generally as 20% or more and 'prolonged' greater than twelve (12) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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) New Standards, Amendments and Interpretations Effective from 1 January 2010

Improvements to IFRS issued in April 2009 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. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No changes to accounting policies are made as a result of these amendments.

(f) New Standards, Amendments and Interpretations that are not yet Effective for the Year Ended 31 December 2010 and not yet Adopted

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2 BASIS OF PREPARATION (CONTINUED)

- **IFRS 9, Financial Instruments** is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but 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 standard can be adopted early and prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

- **Revised IAS 24 (revised), Related Party Disclosures**, issued in November 2009. It supersedes IAS 24, related party disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates, The Group is currently putting systems in place to capture the necessary information.

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 | |
|--|--------------------------|-------------------|------|
| | | 2010 | 2009 |
| 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 | Qatar | 53 | 53 |
| The Pearl Management and Operations 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 | - |
| Insure Plus O.M.C. | Qatar | 100 | - |
| Innovative Investment O.M.C. | Qatar | 100 | - |

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%) and Modern Lebanese Liza Restaurant (90%) in its consolidated financial statements.

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.

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. is engaged business 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 still under incorporation and will be engaged in cleaning 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 is engaged in investment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 the 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.

(c) Investment in associates

The Group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

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. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. 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) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

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 a 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.

(f) 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.

(g) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

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.

(i) 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.

(j) 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 one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in the consolidated statement of income.

Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.
- d) Individually significant financial assets are tested for impairment on an individual basis.
- e) The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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.

(k) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

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.

(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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Foreign currency translation

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

Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(s) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) 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.

(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.

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.

Notes to the Consolidated Financial Statements

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. OTHER INCOME

In Qatari Riyals '000s

| | 2010 | 2009 |
|---------------|---------------|--------|
| Fee income | 29,433 | 28,163 |
| Miscellaneous | 19,821 | 15,859 |
| | 49,254 | 44,022 |

7. GENERAL AND ADMINISTRATIVE EXPENSES

In Qatari Riyals '000s

| | 2010 | 2009 |
|---|---------------|---------|
| Staff costs | 22,159 | 51,761 |
| Depreciation | 7,678 | 14,138 |
| Rent | 5,208 | 7,245 |
| Professional charges | 18,824 | 21,542 |
| Social and sports fund contribution (note 23) | - | 12,636 |
| Directors remuneration | - | 10,309 |
| Other general and administrative expenses | 20,291 | 27,186 |
| | 74,160 | 144,817 |

8. (a) 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.

| | 2010 | 2009 (restated) |
|---|-------------|--------------------|
| Profit attributable to owners of the company | 597,042 | 505,439 |
| Weighted average number of shares outstanding during the year | 134,062 | 134,062 |
| Basic and diluted earnings per share (QR) | 4.45 | 3.77 |
| Profit from continuing operations attributable to owners of the company | 597,042 | 513,758 |
| Weighted average number of shares outstanding during the year | 134,062 | 134,062 |
| Basic and diluted earnings per share from continuing operations (QR) | 4.45 | 3.83 |

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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For the year ended 31 December 2010

9. PROPERTY, PLANT AND EQUIPMENT

In Qatari Riyals '000s

| | Land | Building | Boats | Plant facilities | Furniture, fixture, equipment and instruments | Motor vehicles | Capital work in progress | Total 2010 | Total 2009 |
|---|----------------|----------------|---------------|------------------|---|----------------|--------------------------|------------------|------------------|
| Cost or revaluation: | | | | | | | | | |
| At 1 January | 518,250 | 59,751 | 13,767 | 281,758 | 160,137 | 19,148 | 1,574,168 | 2,626,979 | 2,532,074 |
| Additions | - | - | 548 | 556 | 70,042 | 6,386 | 459,138 | 536,670 | 1,120,655 |
| Transfers | - | 52,391 | - | 173,183 | 5,050 | - | (178,233) | 52,391 | - |
| Reclassification to investment property | - | - | - | - | - | - | - | - | (1,133,675) |
| Disposals | - | - | - | - | - | (64) | - | (64) | (1,865) |
| Revaluation | - | - | - | - | - | - | - | - | 109,790 |
| At 31 December | 518,250 | 112,142 | 14,315 | 455,497 | 235,229 | 25,470 | 1,855,073 | 3,215,976 | 2,626,979 |
| Depreciation: | | | | | | | | | |
| At 1 January | - | 16,164 | 4,100 | 24,713 | 40,633 | 7,958 | 3,590 | 97,158 | 48,580 |
| Depreciation charge for the year | - | 3,183 | 2,849 | 11,330 | 27,836 | 3,954 | 19,969 | 69,121 | 49,294 |
| Transfers | - | - | - | 6,884 | - | - | (6,884) | - | - |
| On disposals | - | - | - | - | - | (6) | - | (6) | (716) |
| At 31 December | - | 19,347 | 6,949 | 42,927 | 68,469 | 11,906 | 16,675 | 166,273 | 97,158 |
| Net carrying amount: | | | | | | | | | |
| At 31 December 2010 | 518,250 | 92,795 | 7,366 | 412,570 | 166,760 | 13,564 | 1,838,398 | 3,049,703 | |
| At 31 December 2009 | 518,250 | 43,587 | 9,667 | 257,045 | 119,504 | 11,190 | 1,570,578 | | 2,529,821 |

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

| | 2010 | 2009 |
|-------------------------------------|---------------|---------------|
| Cost of revenue | 41,634 | 15,206 |
| General and administrative expenses | 7,678 | 14,138 |
| Work in progress | 19,455 | 19,160 |
| Capital work in progress | 354 | 790 |
| | 69,121 | 49,294 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 Land was carried out by Al Zaini Trading and Real Estate Co W.L.L, an independent external valuer, on 5 January 2010. The management believes that the fair value at this date approximates the fair value as at 31 December 2010.

The cost of the land which was subject to revaluation amounted to QR 53.20 million.

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

| | In Qatari Riyals '000s | |
|------------------------------|------------------------|-----------|
| | 2010 | 2009 |
| Cooling plants – Qatar Cool | 815,290 | 882,991 |
| Properties under development | 681,405 | 413,910 |
| Others | 341,703 | 273,677 |
| | 1,838,398 | 1,570,578 |

(iii) The above capital work in progress as of 31 December 2010 includes capitalised borrowing costs amounting to QR 73.1 million (2009: QR 64.3 million).

10. INVESTMENT PROPERTY

| | In Qatari Riyals '000s | |
|---|------------------------|-----------|
| | 2010 | 2009 |
| Balance at 1 January | 1,133,675 | - |
| Additions during the year | 212,853 | - |
| Reclassification from property, plant and equipment | - | 1,133,675 |
| Balance at 31 December | 1,346,528 | 1,133,675 |

The cost of investment property as of 31 December 2010 includes capitalised borrowing costs amounting to QR 114.6 million (2009: QR 67.8 million)

Investment property is substantially completed in 2010. The management believes that the carrying value of this investment property approximates its fair value as at the reporting date. An independent valuation of the fair value of this investment property will be carried out in 2011.

11. INTANGIBLE ASSETS

In Qatari Riyals '000s

| | Branding | Goodwill | Operating software | Others | Total |
|---|--------------|--------------|--------------------|--------------|---------------|
| Cost: | | | | | |
| Balance at 1 January 2009 | - | 8,867 | 2,069 | - | 10,936 |
| Additions during the year | 1,238 | - | 1,848 | - | 3,086 |
| Balance at 31 December 2009 | 1,238 | 8,867 | 3,917 | - | 14,022 |
| Balance at 1 January 2010 | 1,238 | 8,867 | 3,917 | - | 14,022 |
| Additions during the year | 3,175 | - | 1,739 | 2,790 | 7,704 |
| Balance at 31 December 2010 | 4,413 | 8,867 | 5,656 | 2,790 | 21,726 |
| Amortisation and impairment losses | | | | | |
| Balance at 1 January 2009 | - | 8,867 | 614 | - | 9,481 |
| Amortisation for the year | 155 | - | 448 | - | 603 |
| Balance at 31 December 2009 | 155 | 8,867 | 1,062 | - | 10,084 |
| 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 |
| Carrying amounts: | | | | | |
| At 31 December 2010 | 3,382 | - | 3,808 | 2,744 | 9,934 |
| At 31 December 2009 | 1,083 | - | 2,855 | - | 3,938 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

12. INVESTMENT IN ASSOCIATES

The Group has the following investments in associate companies:

| | Country of incorporation | Shareholding | In Qatari Riyals '000s | |
|-------------------------------------|--------------------------|--------------|------------------------|---------|
| | | | 2010 | 2009 |
| Middle East Dredging Company Q.S.C. | Qatar | 45.9% | 363,840 | 305,274 |
| Al-Seef Limited Q.S.C. | Qatar | 20% | 296,270 | 277,428 |
| United Readymix W.L.L. | Qatar | 32% | 43,598 | 45,034 |
| ASTECO Qatar | Qatar | 30% | 2,239 | 2,388 |
| | | | 705,947 | 630,124 |

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

| | In Qatari Riyals '000s | |
|-------------------------------|------------------------|---------|
| | 2010 | 2009 |
| Long term receivables | 8,319 | 10,713 |
| Less: Unearned finance income | (2,347) | (3,198) |
| | 5,972 | 7,515 |

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

14. AVAILABLE-FOR-SALE INVESTMENTS

| | In Qatari Riyals '000s | |
|--|------------------------|---------|
| | 2010 | 2009 |
| Available for sale investments – quoted shares | 459,447 | 547,303 |
| Available for sale investments – unquoted shares | 4,000 | 4,000 |
| | 463,447 | 551,303 |

15. INVENTORIES

| | In Qatari Riyals '000s | |
|---|------------------------|---------|
| | 2010 | 2009 |
| Properties held for sale | 90,933 | 48,240 |
| Spare parts | 2,349 | 1,166 |
| Construction work in progress – equipment | 51,300 | 50,580 |
| Boat stock | 55,250 | 28,883 |
| Fashion items | 7,577 | 11,671 |
| Food, beverage and consumables | 1,420 | 608 |
| Material and chemical items | 93 | 351 |
| Goods in transit | 339 | - |
| | 209,261 | 141,499 |

16. WORK IN PROGRESS

| | In Qatari Riyals '000s | |
|-----------------|------------------------|-----------|
| | 2010 | 2009 |
| The Pearl Qatar | 3,941,082 | 2,764,473 |

The work in progress primarily consists of the costs incurred for the development of the Pearl Qatar project. As more fully explained in Note 1, the Group is presently engaged in development of a reclaimed manmade island and real estate projects at the Pearl Qatar. The work in progress primarily represents costs incurred for the development which are not billed as of 31 December 2010 or transferred to inventories.

17. ACCOUNTS AND OTHER RECEIVABLES

| | In Qatari Riyals '000s | |
|-----------------------------------|------------------------|---------|
| | 2010 | 2009 |
| Accounts receivable | 193,016 | 200,653 |
| Accrued income | 779 | 1,481 |
| Advances to contractors | 115,715 | 265,284 |
| Amounts due from customers | 404,971 | 241,889 |
| Amounts due from related parties | 6,765 | 3,038 |
| Prepaid expenses and other assets | 52,149 | 114,213 |
| | 773,395 | 826,558 |

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

| | In Qatari Riyals '000s | |
|--|------------------------|-------|
| | 2010 | 2009 |
| Middle East Dredging Company Q.S.C. | 1,493 | 693 |
| United Readymix W.L.L. | 2,033 | 2,023 |
| ASTECO | 668 | 322 |
| National Central Cooling Company P.J.S.C | 2,571 | - |
| | 6,765 | 3,038 |

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18. CASH AND CASH EQUIVALENTS

| | In Qatari Riyals '000s | |
|---|------------------------|----------------|
| | 2010 | 2009 |
| Cash on hand and bank balances | 180,044 | 128,091 |
| Time deposits | 192,409 | 246,983 |
| Total cash and cash equivalents | 372,453 | 375,074 |
| Less: Time deposits maturing after 90 days | (45,000) | - |
| Cash and cash equivalents as per statement of cash flows | 327,453 | 375,074 |

Time deposits carry interest at commercial rates.

19. SHARE CAPITAL

| | In Qatari Riyals '000s | |
|---|------------------------|-------------|
| | 2010 | 2009 |
| Authorised, issued and fully paid up capital: 134,062,500 ordinary shares of QR 10 each (2009 : 107,250,000 shares of QR 10 each) | 1,340,625 | 1,072,500 |
| Number of shares | 2010 | 2009 |
| On issue at 1 January | 134,062 | 107,250 |
| On issue at 31 December | 134,062 | 107,250 |

At 31 December 2010, the authorised share capital comprised 134,062,500 ordinary shares (2009:107,250,000 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.

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. The Company resolved to discontinue annual transfers to the legal reserve during the year 2006, as the reserve exceeds 50% of the issued capital. During 2006, the Company capitalized QR 57,280,572 from legal reserve in order to issue bonus shares for 2005.

21. OTHER RESERVES

| | In Qatari Riyals '000s | | | |
|-------------------------------------|------------------------|---------------------------|----------------|----------------|
| | Fair value reserve | Asset revaluation reserve | Total 2010 | Total 2009 |
| Balance at 1 January | (133,763) | 434,603 | 300,840 | 314,698 |
| Increase/(decrease) during the year | 140,686 | - | 140,686 | (13,858) |
| Balance at 31 December | 6,923 | 434,603 | 441,526 | 300,840 |

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 land 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 25% of share capital amounting to QR 268,125 thousands for the year 2009 which was subsequently approved at the Annual General Meeting.

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 14,926 thousands representing 2.5% of the net profit attributable to the owners of Company for the year ended 31 December 2010. The contribution to social and sports fund for the year ended 31 December 2009 was recognised as an expense in the statement of income since the financial statements for the year ended 31 December 2009 were published before the Group received the instructions from the Ministry of Finance and Economy stating it is an appropriation of the profit.

Notes to the Consolidated Financial Statements

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24. TERM LOANS

| | In Qatari Riyals '000s | |
|---|------------------------|------------------|
| | 2010 | 2009 |
| Loan 1 | 970,502 | 944,352 |
| Loan 2 | 70,662 | 94,218 |
| Loan 3 | 819,563 | 819,563 |
| Loan 4 | 865,572 | 622,423 |
| Loan 5 | 571,802 | 415,742 |
| Loan 6 | 187,561 | 131,267 |
| Loan 7 | 285,000 | 285,000 |
| Loan 8 | 728,000 | - |
| Loan 9 | 74,766 | - |
| | 4,573,428 | 3,312,565 |
| Less: Unamortised finance cost associated with raising finance | (33,843) | (31,500) |
| Balance at 31 December | 4,539,585 | 3,281,065 |
| Presented in the consolidated statement of financial position as: | | |
| Current liability | 1,041,763 | 112,795 |
| Non-current liability | 3,497,822 | 3,168,270 |
| | 4,539,585 | 3,281,065 |

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.

- (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 November 2020. 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. The loan was fully drawn by the Company.
- (iv) Loan 4: In February 2008, the subsidiary, The Pearl Qatar Real Estate Development Fund signed a Musharaka agreement of US\$ 300 million for the construction of Qanat Quartier present at the Pearl Qatar project. The loan is available for 3 years renewable. The outstanding balance as of 31 December 2010 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 2011. The outstanding balance as of 31 December 2010 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 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 2010 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 during the year. 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 2010 represents the drawn amount of such facility.

The maturity profiles of the term loans are as follows:

| | In Qatari Riyals '000s | | | |
|------------------|------------------------|------------------|----------------|------------------|
| 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 |

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24. TERM LOANS (CONTINUED)

In Qatari Riyals '000s

| 31 December 2009 | 1 year | 2-5 years | Over 5 years | Total |
|------------------|---------|-----------|--------------|-----------|
| Loan 1 | 61,382 | 439,124 | 443,846 | 944,352 |
| Loan 2 | 23,556 | 70,662 | - | 94,218 |
| Loan 3 | - | 819,563 | - | 819,563 |
| Loan 4 | - | 622,423 | - | 622,423 |
| Loan 5 | - | 59,988 | 355,754 | 415,742 |
| Loan 6 | 29,400 | 101,867 | - | 131,267 |
| Loan 7 | - | 285,000 | - | 285,000 |
| | 114,338 | 2,398,627 | 799,600 | 3,312,565 |

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:

In Qatari Riyals '000s

| | 2010 | 2009 |
|---------------------|----------------|---------|
| Current portion | 256,216 | 167,646 |
| Non-current portion | 331,355 | 396,720 |
| | 587,571 | 564,366 |

The retention payable for the year ended 31 December 2009 includes an amount of QR 11,424 payable to a related party, Middle East Dredging Company Q.S.C.

26. EMPLOYEES' END OF SERVICE BENEFITS

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

In Qatari Riyals '000s

| | 2010 | 2009 |
|------------------------------|---------------|--------|
| Provision at 1 January | 10,008 | 6,210 |
| Provided during the year | 7,509 | 4,620 |
| End of service benefits paid | (1,202) | (822) |
| Provision at 31 December | 16,315 | 10,008 |

27. ACCOUNTS AND OTHER PAYABLES

In Qatari Riyals '000s

| | 2010 | 2009 |
|----------------------------------|------------------|-----------|
| Accounts payable | 236,708 | 140,345 |
| Accrued contract costs | 264,425 | 243,283 |
| Advances received from customers | 1,024,052 | 1,327,988 |
| Amounts due to related parties | 253 | 234 |
| Other accrued expenses | 56,889 | 117,095 |
| Other payables | 189,838 | 175,062 |
| | 1,772,165 | 2,004,007 |

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

In Qatari Riyals '000s

| | 2010 | 2009 |
|----------------------------------|------------|------|
| Cool Tech Energy Water LLC | 228 | 218 |
| Installation Integrity 2000 LLC | 25 | - |
| National Central Cooling Company | - | 16 |
| | 253 | 234 |

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:

In Qatari Riyals '000s

| | 2010 | 2009 |
|-------------------------------|--------------|--------|
| Other related parties: | | |
| Revenue | 3,604 | 81,388 |
| Associates: | | |
| Management fee received | 46 | 53 |
| Rent income | 2,243 | 2,831 |

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:

In Qatari Riyals '000s

| | 2010 | 2009 |
|------------------------------------|---------------|--------|
| Short term benefits | 13,215 | 10,503 |
| Employees' end of service benefits | 524 | 566 |
| | 13,739 | 11,069 |

Directors' remuneration of for the year 2009 was QR 10,309 thousands which was approved by the shareholders at the Annual General Meeting.

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29. CONTINGENT LIABILITIES

In Qatari Riyals '000s

| | 2010 | 2009 |
|-------------------|-------|-------|
| Bank guarantees | 3,044 | 1,255 |
| Letters of credit | 1,564 | 3,402 |

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

In Qatari Riyals '000s

| | 2010 | 2009 |
|--|-----------|-----------|
| Contractual commitments to contractors/suppliers | 1,377,514 | 2,718,486 |

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:

In Qatari Riyals '000s

| | Carrying amount | |
|--------------------------------|------------------|-----------|
| | 2010 | 2009 |
| Available-for-sale investments | 463,447 | 551,303 |
| Loans and receivables | 731,661 | 737,399 |
| Bank balances | 371,619 | 374,701 |
| | 1,566,727 | 1,663,403 |

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.

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:

| In Qatari Riyals '000s | Carrying amount | Contractual cash flows | Less than 12 months | 1 – 2 years | 2- 5 years | More than 5 years |
|---|------------------|------------------------|---------------------|------------------|-----------------|-------------------|
| 31 December 2010 | | | | | | |
| 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) |

31 December 2009

| | 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 | 564,366 | (564,366) | (167,646) | (341,424) | (51,643) | (3,653) |
| Employees' end of service benefits | 10,008 | (10,008) | - | - | - | (10,008) |
| Due to related parties | 234 | (234) | (234) | - | - | - |
| Accounts and other payables | 1,643,395 | (1,643,395) | (1,643,395) | - | - | - |
| | 2,218,003 | (2,218,003) | (1,811,275) | (341,424) | (51,643) | (13,661) |

Market risk

Interest rate risk

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

| | Carrying Amount | |
|----------------------------------|--------------------|-------------|
| | 2010 | 2009 |
| Fixed rate instruments | | |
| Balances held with the banks | 192,409 | 246,983 |
| Term loans | (187,561) | (131,267) |
| | 4,848 | 115,716 |
| Variable rate instruments | | |
| Term loans | (4,385,867) | (3,181,298) |

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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 2010 | | In Qatari Riyals '000s | |
|--------------------|----------------------|------------------------|--|
| Change in variable | Impact on net profit | Impact on equity | |
| +100 basis points | (43,858) | (43,858) | |
| -100 basis points | 43,858 | 43,858 | |
| 31 December 2009 | | | |
| Change in variable | Impact on net profit | Impact on equity | |
| +100 basis points | (31,812) | (31,812) | |
| -100 basis points | 31,812 | 31,812 | |

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 Qatari 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.

| | | In Qatari Riyals '000s | |
|-----------------------|------|------------------------|----------|
| Changes in variables | | Impact on equity 2010 | 2009 |
| Qatar market | +10% | 30,315 | 29,451 |
| International markets | +10% | 15,629 | 25,278 |
| Qatar market | -10% | (30,315) | (29,451) |
| International markets | -10% | (15,629) | (25,278) |

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

| | | In Qatari Riyals '000s | |
|--|--|------------------------|-----------|
| | | 2010 | 2009 |
| Net change in fair value of available-for-sale investments | | 140,686 | (123,188) |

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 2010 | | | | | |
| Available-for-sale investments | | 459,447 | - | - | 459,447 |
| | | 459,447 | - | - | 459,447 |
| 31 December 2009 | | | | | |
| Available-for-sale investments | | 547,303 | - | - | 547,303 |
| | | 547,303 | - | - | 547,303 |

33. FINANCE INCOME AND EXPENSE

| | | In Qatari Riyals '000s | |
|--|--|------------------------|-----------------|
| | | 2010 | 2009 |
| Interest income on bank deposits | | 10,649 | 36,313 |
| Dividend income on available-for-sale investments | | 37,716 | 56,149 |
| Finance income | | 48,365 | 92,462 |
| Interest expense on financial liabilities measured at amortised cost | | (31,072) | (21,472) |
| Finance expense | | (31,072) | (21,472) |
| Net finance income recognised in profit or loss | | 17,293 | 70,990 |

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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. and Enterprise Development Company which are established in Republic of Turkey. 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 2010.

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35. OPERATING SEGMENTS (CONTINUED)

In Qatari Riyals '000s

| | Urban Development | | Hydro Carbon & Energy | | Hospitality & Leisure | | Infrastructure & Utilities | | Others | | Total | |
|--------------------------------|-------------------|-----------|-----------------------|---------|-----------------------|----------|----------------------------|-----------|--------|---------|-------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| External revenue | 962,888 | 1,333,586 | - | - | 34,595 | 8,953 | 196,196 | 149,660 | 1,463 | - | 1,195,142 | 1,492,199 |
| Inter segment revenue | 40,843 | 139,029 | - | - | - | - | 25,347 | 17,183 | - | - | 66,190 | 156,212 |
| Interest income | 4,330 | 29,926 | - | - | 89 | 441 | 6,230 | 8,946 | - | - | 10,649 | 36,313 |
| Interest expense | 1,182 | 7,104 | - | - | 2,340 | - | 27,550 | 14,368 | - | - | 31,072 | 21,472 |
| Depreciation & amortisation | 26,877 | 27,594 | - | - | 8,310 | 4,581 | 33,933 | 17,118 | 1 | 1 | 69,121 | 49,294 |
| Profit/(loss) for the year | 604,093 | 477,052 | - | - | (36,228) | (12,471) | 58,506 | 48,437 | 81 | (4,539) | 626,452 | 508,480 |
| Share of profit of associates | 63,529 | 75,597 | 38,842 | 33,147 | - | - | - | - | (149) | (585) | 102,222 | 108,159 |
| Reportable segment assets | 8,038,589 | 6,422,319 | - | - | 226,522 | 132,315 | 1,896,937 | 1,776,920 | 9,727 | 2,302 | 10,171,775 | 8,333,856 |
| Investment in associates | 407,438 | 350,308 | 296,270 | 277,428 | - | - | - | - | 2,239 | 2,388 | 705,947 | 630,124 |
| Reportable segment liabilities | 5,491,268 | 4,569,118 | - | - | 91,007 | 14,000 | 1,328,874 | 1,272,980 | 4,487 | 3,348 | 6,915,636 | 5,859,446 |

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35. OPERATING SEGMENTS (CONTINUED)

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

Revenue

In Qatari Riyals '000s

| | 2010 | 2009 |
|---------------------------------------|------------------|------------------|
| Total revenue for reportable segments | 1,261,332 | 1,648,411 |
| Elimination of inter-segment revenue | (66,190) | (156,212) |
| Consolidated revenue | 1,195,142 | 1,492,199 |

Profit or loss

In Qatari Riyals '000s

| | 2010 | 2009 |
|--|----------------|----------------|
| Total profit or loss for reportable segments | 626,452 | 508,480 |
| Elimination of inter-segment profits | (111,847) | (101,544) |
| Net share of results of associates | 102,222 | 108,159 |
| Consolidated profit for the year | 616,827 | 515,095 |

Assets

In Qatari Riyals '000s

| | 2010 | 2009 |
|--------------------------------------|-------------------|------------------|
| Total assets for reportable segments | 10,171,775 | 8,333,856 |
| Investments in associates | 705,947 | 630,124 |
| Consolidated total assets | 10,877,722 | 8,963,980 |

Liabilities

In Qatari Riyals '000s

| | 2010 | 2009 |
|---|------------------|------------------|
| Total liabilities for reportable segments | 6,915,636 | 5,859,446 |
| Consolidated total liabilities | 6,915,636 | 5,859,446 |

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.