United Development Company
(Public Shareholding Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED DEVELOPMENT COMPANY (P.S.C.)

We have audited the accompanying financial statements of United Development Company (P.S.C.) ('the Company'), and its subsidiaries (together 'the Group') which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of the Group as of 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and regulatory matters

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

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

Date : 18 February 2007
Doha

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Notes	***2006*** ***QR***	*2005* *QR*
Revenue		**1,130,251,182**	647,773,815
Cost of sales		**(892,050,068)**	(531,174,528)
Gross profit		**238,201,114**	116,599,287
Interest income		**60,656,241**	32,081,193
Gain on sale of available-for-sale investments		**-**	29,709,796
Dividend income		**31,201,101**	12,654,321
Other income		**5,918,717**	1,085,107
Sales and marketing expenses		**(28,473,149)**	(2,538,447)
General and administration expenses	4	**(13,982,146)**	(4,591,846)
Impairment losses on available-for-sale investments		**(10,218,913)**	-
Finance costs		**(4,350,281)**	-
Share of loss of associates	8	**(20,797,259)**	-
PROFIT FOR THE YEAR		**258,155,425**	184,999,411
Attributable to :			
Equity holders of the parent		**256,117,597**	184,781,405
Minority interest		**2,037,828**	218,006
		258,155,425	184,999,411
BASIC AND DILUTED EARNINGS PER SHARE (Attributable to equity holders of the parent)	5	**2.39**	1.94

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	Notes	*2006* *QR*	*2005* *QR*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**729,665,529**	156,029,325
Intangible assets	7	**8,867,072**	-
Investments in associates	8	**368,381,213**	334,725,513
Long term receivables	9	**4,943,500**	-
Available-for-sale investments	10	**642,666,072**	651,891,903
		1,754,523,386	1,142,646,741
Current assets			
Inventories		**8,131,136**	-
Work in progress	11	**528,327,735**	106,649,046
Accounts receivable and prepayments	12	**694,294,094**	117,095,783
Bank balances and cash	13	**1,131,570,247**	1,585,067,746
		2,362,323,212	1,808,812,575
TOTAL ASSETS		**4,116,846,598**	2,951,459,316
EQUITY AND LIABILTIES			
Equity attributable to equity holders of the parent			
Share capital	14	**1,072,500,000**	825,000,000
Legal reserve	15	**772,946,022**	830,226,594
Cumulative changes in fair values		**(25,867,460)**	203,932,967
Proposed dividends	16	**214,500,000**	-
Other reserves	17	**264,145,214**	-
Retained earnings		**32,617,597**	190,219,428
		2,330,841,373	2,049,378,989
Minority interest		**94,822,632**	44,427,224
Total equity		**2,425,664,005**	2,093,806,213
Non-current liabilities			
Term loans	18	**470,869,747**	75,925,672
Retention payable	19	**32,130,395**	29,209,903
Employees' end of service benefits	20	**1,625,578**	587,994
		504,625,720	105,723,569
Current liabilities			
Accounts payable and accruals	21	**1,123,743,933**	653,690,034
Term loans	18	**213,840**	98,239,500
Retention payable	19	**62,599,100**	-
		1,186,556,873	751,929,534
Total liabilities		**1,691,182,593**	857,653,103
TOTAL EQUITY AND LIABILITIES		**4,116,846,598**	2,951,459,316

Hussein I. Al Fardan Chairman of the Board	H.E. Abdullah Bin Khalifa Al-Attiyah Vice Chairman	Walid Saadi Chief Executive Officer

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2006

	Note	*2006* *QR*	*2005* *QR*
OPERATING ACTIVITIES			
Profit for the year		**258,155,425**	184,999,411
Adjustments for:			
Share of loss of associates	8	**20,797,259**	-
Depreciation	6	**5,601,865**	1,810,736
Profit on sale of available-for-sale investments		**-**	(29,709,796)
Impairment losses on available-for-sale investments		**10,218,913**	-
Finance costs		**4,350,281**	-
Interest income		**(60,656,241)**	(32,081,193)
Dividend income		**(31,201,101)**	(12,654,321)
Provision for employees' end of service benefits	20	**1,218,138**	336,631
		208,484,539	112,701,468
Working capital changes:			
Long term receivables		**(4,943,500)**	-
Inventories		**(7,913,338)**	-
Work in progress		**(406,687,648)**	(33,898,101)
Accounts receivable and prepayments		**(576,749,940)**	7,423,769
Accounts payable and accruals		**459,994,785**	628,402,398
Retention payable		**65,519,592**	-
Cash (used in) from operations		**(262,295,510)**	714,629,534
Employees' end of service benefits paid	20	**(205,008)**	(62,101)
Finance cost paid		**(4,350,281)**	-
Net cash (used in) from operating activities		**(266,850,799)**	714,567,433
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(315,271,383)**	(138,669,918)
Proceeds from disposal of available-for-sale investments		**-**	83,822,327
Time deposits with maturities more than three months		**(36,425,130)**	-
Purchase of available-for-sale investments		**(230,793,509)**	(379,752,221)
Acquisition of a subsidiary, net of cash acquired	3	**(8,731,569)**	-
Investment in an associate	8	**(69,444,000)**	(251,420,000)
Interest income		**60,656,241**	32,081,193
Dividend income		**31,201,101**	12,654,321
Net cash used in investing activities		**(568,808,249)**	(641,284,298)
FINANCING ACTIVITIES			
Proceeds from share issue		**-**	1,099,066,814
Amount drawn under term loans		**478,344,962**	177,900,750
Repayment of term loan		**(177,686,910)**	-
Deferred financing cost		**(3,739,637)**	(3,735,578)
Contribution from minority shareholders		**48,357,580**	29,700,000
Net cash from financing activities		**345,275,995**	1,302,931,986
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(490,383,053)**	1,376,215,121
Net foreign exchange difference		**460,424**	-
Cash and cash equivalents at 1 January		**1,585,067,746**	208,852,625
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**1,095,145,117**	1,585,067,746

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

		Attributable to equity holders of the parent							*Minority interest*	*Total equity*
	Notes	*Share capital QR*	*Legal reserve QR*	*Cumulative changes in fair values QR*	*Proposed dividends QR*	*Other reserves (Note 17) QR*	*Retained earnings QR*	*Total QR*	*QR*	*QR*
Balance at 1 January 2006		825,000,000	830,226,594	203,932,967	-	-	190,219,428	2,049,378,989	44,427,224	2,093,806,213
Revaluation of land		-	-	-	-	263,684,790	-	263,684,790	-	263,684,790
Net movement in fair value of available-for-sale investments during the year		-	-	(240,019,340)	-	-	-	(240,019,340)	-	(240,019,340)
Foreign currency translation differences		-	-	-	-	460,424	-	460,424	312,850	773,274
Transfer to income statement on impairment of available-for-sale investments during the year		-	-	10,218,913	-	-	-	10,218,913	-	10,218,913
Total income and expense for the year recognised directly in equity		-	-	(229,800,427)	-	264,145,214	-	34,344,787	312,850	34,657,637
Profit for the year		-	-	-	-	-	256,117,597	256,117,597	2,037,828	258,155,425
Total income and expense for the year		-	-	(229,800,427)	-	264,145,214	256,117,597	290,462,384	2,350,678	292,813,062
Issue of bonus shares	14	247,500,000	(57,280,572)	-	-	-	(190,219,428)	-	-	-
Contribution from minority shareholders		-	-	-			-	-	48,044,730	48,044,730
Proposed dividends for 2006	16	-	-	-	214,500,000	-	(214,500,000)	-	-	-
Board of directors' remuneration	22	-	-	-	-	-	(9,000,000)	(9,000,000)	-	(9,000,000)
Balance at 31 December 2006		**1,072,500,000**	**772,946,022**	**(25,867,460)**	**214,500,000**	**264,145,214**	**32,617,597**	**2,330,841,373**	**94,822,632**	**2,425,664,005**

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2006

		Attributable to equity holders of the parent							*Minority interest*	*Total equity*
	Notes	*Share capital QR*	*Legal reserve QR*	*Cumulative changes in fair values QR*	*Proposed dividends QR*	*Other reserves (Note 17) QR*	*Retained earnings QR*	*Total QR*	*QR*	*QR*
Balance at 1 January 2005		500,000,000	6,159,780	55,773,456	-	-	55,438,023	617,371,259	14,509,218	631,880,477
Profit on sale of available-for-sale investment transferred to income statement		-	-	(9,785,990)	-	-	-	(9,785,990)	-	(9,785,990)
Net movement in fair value of available-for-sale investments during the year		-	-	157,945,501	-	-	-	157,945,501	-	157,945,501
Total income and expense for the year recognised directly in equity		-	-	148,159,511	-	-	-	148,159,511	-	148,159,511
Profit for the year		-	-	-	-	-	184,781,405	184,781,405	218,006	184,999,411
Total income and expense for the year		-	-	148,159,511	-	-	184,781,405	332,940,916	218,006	333,158,922
Issue of bonus shares	14	50,000,000	-	-	-	-	(50,000,000)	-	-	-
Issue of share capital	14	275,000,000	824,066,814	-	-	-	-	1,099,066,814	-	1,099,066,814
Contribution from minority shareholders		-	-	-	-	-	-	-	29,700,000	29,700,000
Balance at 31 December 2005		825,000,000	830,226,594	203,932,967	-	-	190,219,428	2,049,378,989	44,427,224	2,093,806,213

The attached notes 1 to 27 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

United Development Company P.S.C. (the "Company") was incorporated as a Qatari Shareholding Company in accordance with the Amiri Decree number (2) on 2 February 1999. The registered office of the Company is situated in Doha, State of Qatar.

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

Pursuant to the Amiri Decree No 17 of 2004, the Company has been provided with a right to develop an island offshore Qatar for the sale and or lease of properties. The Company is presently engaged in the development of this area known as Pearl Qatar project. The Pearl Qatar project involves reclamation of land covering an area of 985 acres (4.2 million square meters) into a man made island and the development of the island into a theme districts housing beachfront villas, town homes, luxury apartments, penthouse, five star hotels, marinas and schools with related infrastructure and community facilities. The reclamation and the development of the land is being performed on a mix use development basis with substantial completion expected in 2009. The estimated cost of this project is approximately QR 5.5 billion.

The consolidated financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 4 February 2007.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements of United Development Company P.S.C. and all its subsidiaries (together the "Group") have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Qatar Commercial Companies' Law.

The consolidated financial statements have been presented in Qatari Riyals.

2.2 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 the subsidiaries listed in the following table:

	Country of incorporation	*% equity interest*	
		2006	*2005*
Qatar District Cooling Company QCSC.	Qatar	**51**	50.50
Millenya Inc.	Republic of Turkey	**60**	-

Qatar District Cooling Company QCSC is engaged in the construction, owning and operation of district cooling systems.

Millenya Inc is specialised in waste water treatment facilities apart from representing reputed companies in the field of construction and health sectors.

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.

2.2 BASIS OF CONSOLIDATION (continued)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial position of the Group.

- IAS 19 Amendment—Employee Benefits
- IAS 21 Amendment—The Effects of Changes in Foreign Exchange Rates
- IAS 39 Amendments—Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease

The following IASB Standards have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment—Presentation of Financial Statements

The application of IFRS 7 and amendments to IAS 1, which will be effective for the year ending 31 December 2007, will result in amended and additional disclosures relating to financial instruments and associated risks and disclosures relating to Group's objectives, policies and processes for managing capital.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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. The carrying amount of goodwill at 31 December 2006 was QR 8,867,072 (2005 : Nil). Further details are given in Note 7.

Sale of plots of land
An estimate of the ability of the buyers to meet the financial commitment in respect of sale of plot of land is made in determining the amount of revenue recognised from the sale of plots of land using the percentage completion method.

Fair value of Land classified as property, plant and equipment
Lands classified as property, plant and equipment are stated at fair value. The Group used an external, independent evaluator to determine the fair value of these lands. The fair values are based on market values, being the estimated amounts for which a the 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 these lands 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 lands carried at fair value are disclosed in Note 6.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue from sale of land
Provided that revenue recognition criteria are met, revenue on sale of plots of land in the Pearl Qatar is recognised using the percentage of completion method as estimated based of the actual cost incurred to total estimated cost. In determining the application of the percentage of completion, the following criteria must be met:

1. A sale has been consummated, a contract is signed and legal title has been transferred or equitable interest vests in the buyers.
2. The sale contract commits the buyer so that he is unable to obtain a refund except for non delivery of the unit.
3. The amount of the deposit and stage payments has been agreed.
4. Total sales proceeds and costs can be reasonably estimated.
5. The seller has no continuing involvement after the construction is complete.
6. It is reasonably certain that the economic benefits associated with the transaction will flow to the Company.
7. The buyer is able to seek specific performance from the developer.
8. The buyer is obligated to complete payment once all significant acts under the contract have been completed.

Profit on sale of available-sale-investments
On sale of 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is measured at fair value.

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

Depreciation is provided on a straight-line basis on all property, plant and equipment, except freehold land, which is determined to have an indefinite life.

Buildings	20 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	5 years

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Capital work in progress
The costs of capital work in progress consist of the contract value, and 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.

Borrowing costs
Interest during the period of construction related to the financing of the Group's project assets including the amortised cost of raising funds is capitalized as part of the accumulated cost of capital work in progress. 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 charged in the profit and loss account.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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 acquiree'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 based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 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 income statement.

Investments 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 balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement 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 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.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(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 future cash flows discounted at the original effective interest rate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Available for sale investments

Available-for-sale investments are initially carried at cost. After initial recognition, investments which are classified "available-for-sale – quoted" are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the period.

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.

Work in progress

The revenues from sale of land are recognised using the percentage of completion method. The stage of completion of development of land is determined by reference to the cost to cost method. Unbilled work is recorded as work in progress. Development costs include direct material, direct labour, contract related overheads and all other directly attributable cost of development**.**

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and short term original deposits with maturity of three months or less.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initially recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when liabilities are derecognised as well as through the amortisation process.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

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.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Foreign currency translation

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency. 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 balance sheet date. All differences are taken to 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 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 dates of the initial transactions. 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.

The functional currency of the foreign operations, Millenya, is the Turkish New Lira. As at the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of United Development Company P.S.C. (Qatari Riyals) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement

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 Bank 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 statement of income.

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.

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 on the balance sheet 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.

3 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 has acquired identifiable assets and liabilities of Millenya at their carrying values. The net assets of Millenya as at the date of acquisition was QR (113,264). An amount of QR 8,867,072 was recognised as goodwill being the difference between the purchase consideration paid and the net assets as at the date of acquisition.

Subsequent to acquisition, the Group has invested a further QR 6,452,085 (US$ 1,800,000) for an expansion project of Millenya.

The goodwill of QR 8.87 million comprise the fair value of expected synergies arising from the acquisition, which is not separately recognised.

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 financial statements.

4 GENERAL AND ADMINISTRATION EXPENSES

	2006 ***QR***	*2005* *QR*
Staff costs	**3,794,247**	1,796,871
Other general and administration expenses	**6,758,167**	1,420,343
DSM registration fees	**662,052**	488,890
Depreciation	**463,788**	128,515
Rent	**916,006**	264,436
Professional charges	**1,387,886**	492,791
	13,982,146	4,591,846

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. During the year, the Company issued bonus shares for year 2005. Accordingly the previously reported earnings per share have been restated for the effect of bonus share issue made during the year.

	2006	*2005 (Restated)*
Profit for the year attributable to equity share holders of parent (QR)	**256,117,597**	184,781,405
Weighted average number of shares outstanding during the year	**107,250,000**	95,318,751
Basic and diluted earrings per share (QR)	**2.39**	1.94

Notes:

(i) The weighted average number of shares has been calculated as follows:

	2006	*2005*
Qualifying shares at beginning of the year	**82,500,000**	50,000,000
Effect of bonus shares issued	**24,750,000**	29,750,000
Effect of rights issue	**-**	15,568,751
Weighted average number of shares during the year	**107,250,000**	95,318,751

(ii) 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.

6 PROPERTY, PLANT AND EQUIPMENT

	Land *QR*	*Building* *QR*	*Furniture, fixtures and equipment* *QR*	*Motor vehicles* *QR*	*Capital work in progress* *QR*	*Total* *QR*
Cost or valuation:						
At 1 January 2006	11,696,454	-	11,369,093	2,223,825	134,301,675	159,591,047
Acquisition of a subsidiary	-	10,601	40,349	230,946	-	281,896
Additions	25,230,599	50,913,817	11,595,928	5,178,633	222,352,406	315,271,383
Revaluation	196,530,896	-	-	-	67,153,894	263,684,790
At 31 December 2006	233,457,949	50,924,418	23,005,370	7,633,404	423,807,975	738,829,116
Depreciation:						
At 1 January 2006	-	-	3,048,540	513,182	-	3,561,722
Depreciation charge for the year	-	1,485,607	2,956,255	901,545	258,458	5,601,865
At 31 December 2006	-	1,485,607	6,004,795	1,414,727	258,458	9,163,587
Net carrying amount:						
At 31 December 2006	**233,457,949**	**49,438,811**	**17,000,575**	**6,218,677**	**423,549,517**	**729,665,529**
At 31 December 2005	11,696,454	-	8,320,553	1,710,643	134,301,675	156,029,325

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

	2006 ***QR***	*2005* *QR*
Cost of sales	**258,458**	-
General and administration expenses	**463,788**	128,515
Work in progress	**4,771,537**	1,608,409
Capital work in progress	**108,082**	73,812
	5,601,865	1,810,736

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

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

	2006 *QR*	*2005* *QR*
Cooling plants – Qatar Cool	**275,977,690**	134,301,675
Properties under development	**59,824,130**	-
Others	**88,006,155**	-
	423,807,975	134,301,675

(ii) Included in capital work in progress as of 31 December 2006 are capitalised borrowing costs amounting to QR 14,349,069 (2005 : QR 1,615,652).

(iii) The District Cooling System plant and related facilities are being constructed on the freehold land owned by the Group.

(iv) Properties under development represents cost incurred on properties that are being constructed or developed in the Pearl Island. These properties under development will be transferred to investment properties when they are ready for their intended use.

(v) The Group engaged Al Zaini Trading and Real Estate Co W.L.L, an independent external valuer, to determine the fair value of the lands. Fair value is determined by reference to market based evidence. The date of revaluation was 2 February 2007. The management believes that the fair value at this date approximates the fair value as at 31 December 2006. The cost of the land which was subject to revaluation amounted to QR 53.20 million.

7 INTANGIBLE ASSETS

	2006 *QR*	*2005* *QR*
Goodwill	**8,867,072**	-

Intangible assets represent the goodwill arising on acquisition of a subsidiary, Millenya.

8 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	Country of incorporation	*Shareholding*	*2006* *QR*	*2005* *QR*
Qatar Dredging Company Q.S.C.	Qatar	45.9%	**126,721,811**	165,925,513
Al-Seef Limited Q.S.C.	Qatar	20%	**233,353,441**	168,800,000
United Readymix W.L.L.	Qatar	32%	**8,305,961**	-
			368,381,213	334,725,513

8 INVESTMENTS IN ASSOCIATES (continued)

Notes:

(i) Qatar Dredging Company Q.S.C. is involved in the project related dredging activities in the State of Qatar and other neighbouring countries.

(ii) Al-Seef Limited Q.S.C. is engaged in production and selling of Linear Alkyl Benzene (LAB), downstream petrochemical products and essential feedstocks to the worldwide detergent manufacturing industries. Included in the investment balance of Al-Sief Limited Q.S.C. are cash advances amounting to QR 170,244,000 (2005 : QR 108,800,000) which will be converted into share capital at a later date.

(iii) During the year, the Group invested QR 8,000,000 in United Readymix W.L.L., for 32% holding in the company. United Readymix W.L.L. is engaged in the production and sale of readymix concrete.

The following table illustrates summarised financial information of the Group's investment in the associate companies:

	2006 ***QR***	*2005* *QR*
Share of associates' balance sheet:		
Current assets	**575,625,086**	445,809,290
Non-current assets	**345,500,066**	271,134,766
Current liabilities	**(472,215,332)**	(341,261,762)
Non-current liabilities	**(80,528,607)**	(40,956,781)
Net assets	**368,381,213**	334,725,513
Share of associates' revenue and profit:		
Revenue	**759,780,369**	471,685,189
Share of results	**(20,797,259)**	-

9 LONG TERM RECEIVABLES

	2006 ***QR***	*2005* *QR*
Long term receivables	**5,608,514**	-
Less: Unearned finance income	**(665,014)**	-
	4,943,500	-

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

10 AVAILABLE-FOR-SALE INVESTMENTS

	2006 ***QR***	*2005* *QR*
Available for sale investments – quoted shares	**638,666,072**	647,891,903
Available for sale investments – unquoted shares	**4,000,000**	4,000,000
	642,666,072	651,891,903

11 WORK IN PROGRESS

	2006	*2005*
	QR	*QR*
The Pearl Qatar	**528,327,735**	106,649,046

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 man made island for real estate purposes and the work in progress primarily represent costs incurred for the reclamation which are not billed as of 31 December 2006.

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2006	*2005*
	QR	*QR*
Trade accounts receivable	**17,855,595**	-
Accrued income	**30,992,412**	20,564,544
Advances to contractors	**403,927,379**	65,411,687
Amounts due from related parties	**59,355,258**	25,085,445
Prepaid expenses and other assets	**19,206,961**	6,034,107
Notes receivable	**162,956,489**	-
	694,294,094	117,095,783

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

	2006	*2005*
	QR	*QR*
Qatar Dredging Company Q.S.C.	**40,000,000**	25,085,445
United Readymix W.L.L.	**19,355,258**	-
	59,355,258	25,085,445

The balance due from Qatar Dredging Company Q.S.C. represents the short term bridge loan provided by the Group at commercial rates.

13 CASH AND CASH EQUIVALENTS

	2006	*2005*
	QR	*QR*
Cash on hand and bank balances	**76,095,559**	81,172,290
Time deposits	**1,055,474,688**	1,503,895,456
	1,131,570,247	1,585,067,746
Less: Time deposits maturing after 90 days	**(36,425,130)**	-
	1,095,145,117	1,585,067,746

Time deposits carry interest at commercial rates.

14 SHARE CAPITAL

	2006	*2005*
	QR	*QR*
Authorised, issued and fully paid up capital:		
107,250,000 ordinary shares of QR 10 each		
(2005 : 82,500,000 shares of QR 10 each)	**1,072,500,000**	825,000,000

During the year, the authorised, issued and fully paid up capital was increased by QR 247,500,000 (2005 : QR 325,000,000) by way of 24,750,000 bonus shares issue (2005 : 5,000,000 bonus shares issue and 27,500,000 right issue). The bonus shares were issued by capitalising the legal reserve of QR 57,280,572 and retained earnings of QR 190,219,428.

15 LEGAL RESERVE

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

During the current year, the Company capitalised QR 57,280,572 from the legal reserve in order to issue bonus shares for 2005 (Note 14).

16 DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed dividends of QR 2 per share totalling QR 214,500,000 for 2006 (2005 : Nil). The proposed dividend will be submitted for formal approval at the Annual General Meeting.

17 OTHER RESERVES

	Asset revaluation reserve QR	*Foreign currency translation reserve QR*	*Total QR*
Balance at 1 January 2006	-	-	-
Revaluation of land	263,684,790	-	263,684,790
Foreign currency translation differences	-	460,424	460,424
Balance at 31 December 2006	263,684,790	460,424	264,145,214

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.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

18 INTEREST BEARING LOANS AND BORROWINGS

	2006	*2005*
	QR	*QR*
Loan 1	**194,910,101**	79,661,250
Loan 2	**-**	98,239,500
Loan 3	**141,329,000**	-
Loan 4	**141,001,175**	-
Loan 5	**1,318,526**	-
	478,558,802	177,900,750
Less: Unamortised finance cost associated with raising finance	**(7,475,215)**	(3,735,578)
Balance as at 31 December	**471,083,587**	174,165,172
Presented in the balance sheet as:		
Current liability	**213,840**	98,239,500
Non-current liability	**470,869,747**	75,925,672
	471,083,587	174,165,172

Notes:

(i) The loans carry interest at variable rates of LIBOR plus a certain percentage.

(ii) Loan 1 : On 13 September 2005, the subsidiary company, Qatar District Cooling Company QCSC, signed a loan agreement for project loan facilities. This loan agreement grants the subsidiary a total facility of US$ 69,000,000 available for draw-down to pay project costs of which the subsidiary has drawn down an amount of US$ 53.4 million. This loan is repayable in 19 semi-annual instalments commencing from September 2008. The term loan is secured against the project assets and other tangible assets of the chilling plants of Qatar District Cooling Company QCSC. Additionally, all revenues from the chilling plant and insurance proceeds have been assigned in favour of the lenders.

(iii) Loan 2 : This represents a short term loan drawn-down to partially finance the Company's share of the investment and cash calls in the associate company, Al-Seef Limited Q.S.C. The loan was fully paid in 2006.

(iv) Loan 3 : This represents project finance loan obtained by the Company for US$ 38,800,000 on 29 May 2006. The loan was fully drawn down in 2006. It is repayable in six annual instalments commencing on 30 April 2008 and ending on 30 April 2013.

(v) Loan 4 : On 4 September 2006, the Company signed a syndicated loan agreement of US$ 225,000,000 with a group of local, regional and international banks for corporate purposes available for 5 years as a revolving facility. The outstanding balance as of 31 December 2006 represents the drawn amount of such corporate facility.

(vi) The finance costs associated with raising finance represent arrangement fee, agency and participation fees paid for obtaining the financing.

18 INTEREST BEARING LOANS AND BORROWINGS (continued)

The maturity profile of the loans are as follows:

31 December 2006	***1 year QR***	***2-5 years QR***	***Over 5 years QR***	***Total QR***
Loan 1	-	71,808,985	123,101,116	194,910,101
Loan 2	-	-	-	-
Loan 3	-	94,224,190	47,104,810	141,329,000
Loan 4	-	141,001,175	-	141,001,175
Loan 5	213,840	1,104,686	-	1,318,526
	213,840	308,139,036	170,205,926	478,558,802

31 December 2005	*1 year QR*	*2-5 years QR*	*Over 5 years QR*	*Total QR*
Loan 1	-	79,661,250	-	79,661,250
Loan 2	98,239,500	-	-	98,239,500
	98,239,500	79,661,250	-	177,900,750

19 RETENTION PAYABLE

This amount 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 balance sheet as follows:

	2006 QR	*2005 QR*
Current portion	**62,599,100**	-
Non-current portion	**32,130,395**	29,209,903
Retention payable	**94,729,495**	29,209,903

Included in the above retention payable is an amount of QR 32,336,420 (2005 : QR 16,367,414) payable to a related party, Qatar Dredging Company Q.S.C.

20 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision recognised in the balance sheet are as follows:

	2006 ***QR***	*2005* *QR*
Provision as at 1 January	**587,994**	313,464
Acquisition of a subsidiary	**24,454**	-
Provided during the year	**1,218,138**	336,631
End of service benefits paid	**(205,008)**	(62,101)
Provision as at 31 December	**1,625,578**	587,994

21 ACCOUNTS PAYABLE AND ACCRUALS

	2006 ***QR***	*2005* *QR*
Accounts payable and other liabilities	**155,638,192**	62,921,790
Accrued contract costs	**339,331,805**	230,823,037
Advances received from customers	**532,573,499**	252,984,001
Amounts due to related parties	**28,097,953**	52,648,801
Other accrued expenses	**32,033,443**	36,056,781
Other payables	**36,069,041**	18,255,624
	1,123,743,933	653,690,034

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

	2006 ***QR***	*2005* *QR*
Qatar Dredging Company Q.S.C.	**27,961,146**	52,126,460
Installation Integrity 2000 LLC	**109,313**	-
National Central Cooling Company	**27,494**	522,341
	28,097,953	52,648,801

22 RELATED PARTY DISCLOSURES

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 income statement are as follows:

	2006	*2005*
	QR	*QR*
Other related parties:		
Revenue	**77,451,965**	26,072,849
Associates:		
Management fee received	**36,269**	-
Rent income	**388,143**	-
Interest income	**2,445,000**	-

Amounts due from and to related parties are disclosed in notes 12 and 21 respectively.

Compensation of key management personnel
The remuneration of key management are as follows:

	2006	*2005*
	QR	*QR*
Short term benefits	**4,892,715**	2,838,552
Employees' end of service benefits	**258,023**	89,507
	5,150,738	2,928,059

The remuneration to the Board of Directors for the year has been separately disclosed in the statement of changes in equity. On 4 February 2007, Directors remuneration of QR 9,000,000 was proposed (2005 : nil), which is subject to the ratification by the shareholders at the Annual General Meeting.

23 CONTINGENT LIABILITIES

	2006	*2005*
	QR	*QR*
Bank guarantees	**4,160,933**	1,003,000
Letters of credit	**1,922,384**	7,094,948

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.

24 CAPITAL COMMITMENTS

	2006	*2005*
	QR	*QR*
Contractual commitments to contractors/suppliers	**3,424,246,376**	2,795,730,802
Unpaid up capital of investments	**-**	8,000,000

25 FINANCIAL RISK MANAGEMENT

Currency risk
The Group does not hedge its currency exposure. However, management is of the opinion that the Group's exposure to currency risk is minimal as most of the foreign currency financial assets and liabilities are denominated in US Dollars. As Qatari Riyal is pegged to the US Dollars, balances in US Dollars are not considered to represent significant currency risk.

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and interest bearing loans and borrowings). The interest rates maturity of the Group's bank deposits and interest bearing loans and borrowings are described in Notes 13 and 18 respectively.

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

The Group limits its credit risk with regard to bank deposits by only dealing with reputed banks. The Group limits its credit risk with regard to customers by continually assessing the credit worthiness and financial ability of the buyers.

Liquidity risk
The Group limits its liquidity risk by ensuring that adequate funds are maintained with the banks. As per the agreements with the contractors, the Group normally settles the contractor invoices within 30-60 days of invoice.

26 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.

27 SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments on the Group's risks and rates of return are affected pre-dominantly by differences in the products and services produced. Secondary information is reported geographically. The businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business units that offers different products and serves different markets.

The Pearl Island development segment is engaged in the development of the Pearl Island and sale of lands and properties in the Island.

District cooling system segment constructs, owns and operates cooling plants.

Waste water treatment segment is engaged in biological waste water treatment and reuse business.

The Group's geographical segments are based on the location of the Group's assets.

27 SEGMENT INFORMATION (continued)

Business segments

	Pearl island development QR	*District cooling system QR*	*Waste water treatment QR*	*Eliminations QR*	*Total QR*
Revenue					
Sales	1,100,590,860	24,287,117	5,373,205	-	1,130,251,182
Inter-segment sales			586,507	(586,507)	-
Total revenue	1,100,590,860	24,287,117	5,959,712	(586,507)	1,130,251,182
Cost of sales	(871,149,993)	(18,234,468)	(2,665,607)	-	(892,050,068)
Segment gross profit	229,440,867	6,052,649	3,294,105	(586,507)	238,201,114
Other income	-	3,873,836	665,269	-	4,539,105
Unallocated other income	-	-	-	-	93,236,954
Expenses		(6,111,478)	(3,715,893)	41,940	(9,785,431)
Unallocated expenses					(47,239,058)
Share of results from associates					(20,797,259)
Results for the year					258,155,425
Assets and liabilities					
Segment assets	1,000,097,362	433,505,884	14,139,327	-	1,447,742,573
Unallocated assets					2,669,104,025
					4,116,846,598
Segment liabilities	782,073,147	249,553,498	2,374,997	-	1,034,001,642
Unallocated liabilities					657,180,951
					1,691,182,593

27 SEGMENT INFORMATION (continued)

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the year ended 31 December 2006:

Geographical segments

	Qatar QR	*Turkey QR*	*Eliminations QR*	*Total QR*
Revenue				
Sales	1,124,877,977	5,373,205	-	1,130,251,182
Inter-segment sales		586,507	(586,507)	-
	1,124,877,977	5,959,712	(586,507)	1,130,251,182
Cost of sales	(889,384,461)	(2,665,607)	-	(892,050,068)
Segment gross profit	235,493,516	3,294,105	(586,507)	238,201,114
Other income	97,110,790	665,269	-	97,776,059
Expenses	(53,308,596)	(3,715,893)	-	(57,024,489)
Share of results from associates	(20,797,259)	-	-	(20,797,259)
Results for the year				258,155,425
Assets and liabilities				
Segment assets	3,725,458,986	14,139,327	-	3,739,598,313
Investment in associates	368,381,213	-	-	368,381,213
Unallocated assets				8,867,072
				4,116,846,598
Segment liabilities	1,688,807,596	2,374,997	-	1,691,182,593

During the previous year, the Group was primarily engaged in the development of the Pearl Island and its subsidiary, Qatar District Cooling QCSC was in a development stage of its activities. Accordingly, the Company’s operating business segment consisted of only the development and sale of land.