



United Development Company Q.S.C
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005



**AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNITED DEVELOPMENT COMPANY (Q.S.C.)**

We have audited the accompanying consolidated balance sheet of United Development Company (Q.S.C.) as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of United Development Company (Q.S.C.) as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

Date : ----- 2006
Doha

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2005

	<i>Notes</i>	2005 <i>QR</i>	2004 <i>QR</i>
Revenue		647,773,815	13,463,351
Cost of sales		<u>(531,174,528)</u>	<u>(7,137,900)</u>
Gross profit		<u>116,599,287</u>	<u>6,325,451</u>
Other income			
Interest income		32,081,193	3,786,437
Gain on sale of available-for-sale investments		29,709,796	27,537,055
Dividend income		12,654,321	3,693,517
Other income		<u>1,085,107</u>	<u>1,358,642</u>
		<u>75,530,417</u>	<u>36,375,651</u>
		192,129,704	42,701,102
General and administration expenses	3	<u>(7,130,293)</u>	<u>(11,675,164)</u>
		184,999,411	31,025,938
Share of profit of an associate		<u>-</u>	<u>685,513</u>
PROFIT FOR THE YEAR		<u>184,999,411</u>	<u>31,711,451</u>
Attributable to :			
Equity holders of the parent		184,781,405	32,052,233
Minority interest		<u>218,006</u>	<u>(340,782)</u>
		<u>184,999,411</u>	<u>31,711,451</u>
Basic earnings per share	4	<u>2.62</u>	<u>0.55</u>

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	<i>Notes</i>	<i>2005 QR</i>	<i>2004 QR</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	21,727,650	14,038,152
Project development costs	6	134,301,675	5,131,991
Investments in associates	7	334,725,513	83,305,513
Available-for-sale investments	8	<u>651,891,903</u>	<u>178,092,706</u>
		<u>1,142,646,741</u>	<u>280,568,362</u>
Current assets			
Work in progress	9	106,649,046	72,750,945
Accounts receivable and prepayments	10	117,095,783	124,519,552
Bank balances and cash	11	<u>1,585,067,746</u>	<u>208,852,625</u>
		<u>1,808,812,575</u>	<u>406,123,122</u>
TOTAL ASSETS		<u>2,951,459,316</u>	<u>686,691,484</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	825,000,000	500,000,000
Legal reserve	13	830,226,594	6,159,780
Cumulative changes in fair values		203,932,967	55,773,456
Retained earnings		<u>190,219,428</u>	<u>55,438,023</u>
		<u>2,049,378,989</u>	<u>617,371,259</u>
Minority interest		<u>44,427,224</u>	<u>14,509,218</u>
Total equity		<u>2,093,806,213</u>	<u>631,880,477</u>
Non-current liabilities			
Term loans	14	75,925,672	-
Retention payable	15	29,209,903	282,900
Employees' end of service benefits	16	<u>587,994</u>	<u>313,464</u>
		<u>105,723,569</u>	<u>596,364</u>
Current liabilities			
Accounts payable and accruals	17	653,690,034	54,214,643
Term loans	14	<u>98,239,500</u>	<u>-</u>
		<u>751,929,534</u>	<u>54,214,643</u>
Total liabilities		<u>857,653,103</u>	<u>54,811,007</u>
TOTAL EQUITY AND LIABILITIES		<u>2,951,459,316</u>	<u>686,691,484</u>

Hussein I. Al Fardan
Chairman of the Board

Khalil P. Sholy
Board Member and
Managing Director

Walid Saadi
Chief Executive Officer

The attached notes 1 to 24 form part of these consolidated financial statements.

United Development Company Q.S.C.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

	<i>Note</i>	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
OPERATING ACTIVITIES			
Profit for the year		184,999,411	31,711,451
Adjustments for:			
Share of profit of an associate		-	(685,513)
Depreciation		1,810,736	1,255,080
Profit on sale of available-for-sale investments		(29,709,796)	(27,537,055)
Interest income		(32,081,193)	(3,786,437)
Dividend income		(12,654,321)	(3,693,517)
Provision for employees' end of service benefits		<u>336,631</u>	<u>313,464</u>
Operating profit (loss) before working capital changes:		112,701,468	(2,422,527)
Work in progress		(33,898,101)	(63,136,918)
Accounts receivable and prepayments		7,423,769	(115,413,469)
Accounts payable and accruals		<u>628,402,398</u>	<u>26,416,073</u>
Cash from (used in) operations		714,629,534	(154,556,841)
Employees' end of service benefits paid		<u>(62,101)</u>	<u>-</u>
Net cash from (used in) operating activities		<u>714,567,433</u>	<u>(154,556,841)</u>
INVESTING ACTIVITIES			
Additions to project development costs		(129,169,684)	(3,000,581)
Additions to property, plant and equipment		(9,500,234)	(14,967,755)
Proceeds from disposal of available-for-sale investments		83,822,327	74,272,959
Purchase of available-for-sale investments		(379,752,221)	(75,456,883)
Investment in associate companies		(251,420,000)	(82,620,000)
Interest income		32,081,193	3,786,437
Dividend income		<u>12,654,321</u>	<u>3,693,517</u>
Net cash used in investing activities		<u>(641,284,298)</u>	<u>(94,292,306)</u>
FINANCING ACTIVITIES			
Proceeds from share issue		1,099,066,814	-
Amount drawn under term loans		177,900,750	-
Financing cost		(3,735,578)	-
Contribution from minority shareholders		<u>29,700,000</u>	<u>14,850,000</u>
Net cash from financing activities		<u>1,302,931,986</u>	<u>14,850,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,376,215,121	(233,999,147)
Cash and cash equivalents at the beginning of the year		<u>208,852,625</u>	<u>442,851,772</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	<u><u>1,585,067,746</u></u>	<u><u>208,852,625</u></u>

The attached notes 1 to 24 form part of these consolidated financial statements.

United Development Company Q.S.C.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

The attached notes 1 to 24 form part of these consolidated financial statements.

United Development Company (Q.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 DECEMBER 2005

	Notes	Attributable to equity holders of the parent				Minority interest	Total equity	
		Share capital QR	Legal reserve QR	Fair value reserve QR	Retained earnings QR	Total QR	QR	QR
Balance at 1 January 2004		500,000,000	2,954,557	10,241,668	26,591,013	539,787,238	-	539,787,238
Net movement in fair value of available-for-sale investments during the year		-	-	45,531,788	-	45,531,788	-	45,531,788
Total income and expenses for the year recognised directly in equity		-	-	45,531,788	-	45,531,788	-	45,531,788
Net profit for the year		-	-	-	32,052,233	32,052,233	(340,782)	31,711,451
Total recognised income and expense for the year		-	-	45,531,788	32,052,233	77,584,021	(340,782)	77,243,239
Transfer to legal reserve		-	3,205,223	-	(3,205,223)	-	-	-
Contribution from minority shareholders		-	-	-	-	-	14,850,000	14,850,000
Balance at 31 December 2004		500,000,000	6,159,780	55,773,456	55,438,023	617,371,259	14,509,218	631,880,477
Profit on sale of available-for-sale investments transferred to income statement		-	-	(9,785,990)	-	(9,785,990)	-	(9,785,990)
Fair value gain on available-for-sale investments		-	-	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
Net profit for the year		-	-	-	184,781,405	184,781,405	218,006	184,999,411
Total recognised income and expense for the year		-	-	148,159,511	184,781,405	332,940,916	218,006	333,158,922
Issue of bonus shares	12	50,000,000	-	-	(50,000,000)	-	-	-
Issue of share capital	12 & 13	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 24 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

The 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 is being performed on a four phase mix use development basis with the expected completion in 2009.

The consolidated financial statements for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on ----- 2006.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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.

The consolidated financial statements 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.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of United Development Company Q.S.C. and its subsidiary, Qatar District Cooling Company QCSC as at 31 December each year. Qatar District Cooling Company QCSC is a private closed shareholding company incorporated in the State of Qatar and is mainly engaged in the construction, ownership and operation of district cooling systems. The Company owns a 50.5% stake in the subsidiary. The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

All inter-company balances and transactions including unrealised profits arising from inter-company transactions have been eliminated in full.

Minority interest represents the portion of profit or loss and net assets in Qatar District Cooling Company QCSC, not held by United Development Company Q.S.C. and is presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

2.3 ADOPTION OF IFRS DURING THE YEAR

The Company has adopted the following revised standards during the year. The adoption of the revised standards has only resulted in additional disclosures in the notes to the consolidated financial statements and does not have any effect on the comparative figures.

- IAS 1, Presentation of Financial Statements
- IAS 10, Events after the Balance Sheet date
- IAS 24, Related Party Disclosures
- IAS 27, Consolidated and Separate Financial Statements
- IAS 28, Investments in Associates
- IAS 31, Interests in Joint Venture
- IAS 32, Financial Instruments: Disclosure and Presentation
- IAS 33, Earnings per Share
- IAS 39, Financial Instruments: Recognition and Measurement

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Revenue recognition

Revenue from sale of land

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 consumated, 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 have been agreed.
4. Total sales proceeds and costs can be reasonably estimated.
5. The seller has no continuing involvement after the construction is complete.
6. It is reasonably certain that the economic benefits associated with the transaction will flow to the Company.

Profit on sale of available-sale-investments

Gain on sale of investments is recognised on sale (derecognition) of investments.

Interest income

Interest revenue is recognised as the interest accrues.

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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.

Projects development costs

The costs of projects under development consist of the contract value and directly attributable costs of developing and bringing the assets to the location and condition necessary for them to be ready for their intended use.

The project costs will be transferred to tangible assets classification when these assets reach their working condition for their intended use.

Investments in associates

The Company's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Company 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 Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associates.

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

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;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Available for sale investments

Available-for-sale investments are initially carried at costs. After initial recognition these investments 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

2.4 SUMMARY SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Cash and cash equivalents

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

Term loans

The Company's term loans are carried on the balance sheet at the principal amounts less applicable unamortized costs of raising finance. Instalments due within one year are shown as a current liability. The costs of raising finance applicable to amounts already drawn down are amortised over the period of the loan using the effective yield method.

Interest during the period of construction related to the financing of the Company's district cooling system owned by the subsidiary company including the amortised cost of raising funds is capitalized as part of the accumulated project development cost. 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.

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.

Foreign currencies

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange 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 the income statement. Non-monetary items measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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 last traded 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.

United Development Company (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

3 GENERAL AND ADMINISTRATION EXPENSES

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Sales and marketing expenses	2,538,447	205,905
Staff related costs	1,796,871	2,539,380
Other general and administration expenses	1,567,872	1,645,636
General project costs	609,698	5,771,469
DSM registration fees	488,890	1,318,863
Depreciation	<u>128,515</u>	<u>193,911</u>
	<u><u>7,130,293</u></u>	<u><u>11,675,164</u></u>

4 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year. During the year, the Company issued bonus shares and rights issue. Accordingly the previously reported earnings per share have been restated for the right issue and bonus share issue made during the year.

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i> <i>(Restated)</i>
Profit for the year attributable to equity share holders of parent	<u>184,781,405</u>	<u>32,052,233</u>
Weighted average number of shares outstanding	<u>70,403,226</u>	<u>58,306,452</u>
Basic earnings per share	<u><u>2.62</u></u>	<u><u>0.55</u></u>

Notes:

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

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Qualifying shares at beginning of the year	50,000,000	50,000,000
Effect of bonus shares issued	5,000,000	5,000,000
Effect of right issued	<u>15,403,226</u>	<u>3,306,452</u>
Weighted average number of shares at end of the year	<u><u>70,403,226</u></u>	<u><u>58,306,452</u></u>

(ii) There were no potentially dilutive shares outstanding at any time during the year.

United Development Company (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Building improvements QR</i>	<i>Furniture and equipment QR</i>	<i>Motor vehicles QR</i>	<i>Total QR</i>
Cost:					
At 1 January 2005	5,009,764	7,415,073	2,253,801	1,110,500	15,789,138
Additions	<u>6,686,690</u>	<u>-</u>	<u>1,700,219</u>	<u>1,113,325</u>	<u>9,500,234</u>
At 31 December 2005	<u>11,696,454</u>	<u>7,415,073</u>	<u>3,954,020</u>	<u>2,223,825</u>	<u>25,289,372</u>
Depreciation:					
At 1 January 2005	-	817,897	763,908	169,181	1,750,986
Depreciation charge for the year	<u>-</u>	<u>916,472</u>	<u>550,263</u>	<u>344,001</u>	<u>1,810,736</u>
At 31 December 2005	<u>-</u>	<u>1,734,369</u>	<u>1,314,171</u>	<u>513,182</u>	<u>3,561,722</u>
Net carrying amount:					
At 31 December 2005	<u>11,696,454</u>	<u>5,680,704</u>	<u>2,639,849</u>	<u>1,710,643</u>	<u>21,727,650</u>
At 31 December 2004	<u>5,009,764</u>	<u>6,597,176</u>	<u>1,489,893</u>	<u>941,319</u>	<u>14,038,152</u>

The District Cooling System plant and related facilities are being constructed on the freehold land owned by the Company.

United Development Company (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 DECEMBER 2005

6 PROJECT DEVELOPMENT COSTS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Cooling plants-Qatar Cool	134,301,675	4,789,945
LAB Project	<u>-</u>	<u>342,046</u>
	<u>134,301,675</u>	<u>5,131,991</u>

These relate to the costs incurred to date for the cooling plants being constructed in the Westbay area by the subsidiary company, Qatar District Cooling Company QCSC.

7 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associate companies:

	<i>Country of incorporation</i>	<i>Shareholding</i>	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Qatar Dredging Company Q.S.C.	Qatar	45.9%	165,925,513	83,305,513
Al-Sief Limited Q.S.C.	Qatar	20%	<u>168,800,000</u>	<u>-</u>
			<u>334,725,513</u>	<u>83,305,513</u>

Notes:

- (i) Qatar Dredging Company Q.S.C. is involved in the project related dredging activities in the State of Qatar.
- (ii) Included in the investment balance of Al-Sief Limited Q.S.C. are cash advances amounting to QR 108,800,000 which will be converted into share capital at a later date. Al-Sief Limited Q.S.C. is in the development stage.

8 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Available for sale investments – quoted	647,891,903	174,092,706
Available for sale investments – unquoted	<u>4,000,000</u>	<u>4,000,000</u>
	<u>651,891,903</u>	<u>178,092,706</u>

Included in the available-for-sale investments are restricted quoted shares in a local company with a fair value of QR 4,280,000 as of 31 December 2005 (2004 : QR 2,350,000), as they represent establishment shares in an investee company.

United Development Company (Q.S.C.)

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9 WORK IN PROGRESS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
The Pearl Qatar	<u>106,649,046</u>	<u>72,750,945</u>

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 Company is presently engaged in development of a reclaimed man made island for real estate puposes and the work in progress primarily represent costs incurred for the reclamation which are not billed as of 31 December 2005.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Accrued income	20,564,544	442,599
Advances to contractors	65,411,687	15,147,839
Amounts due from related parties (Note 18)	25,268,423	95,000,000
Prepaid expenses and other assets	5,851,129	598,495
Notes receivable	<u>-</u>	<u>13,330,619</u>
	<u>117,095,783</u>	<u>124,519,552</u>

11 BANK BALANCES AND CASH

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Cash on hand and bank balances	81,172,290	157,030,565
Time deposits with maturity of three months or less	<u>1,503,895,456</u>	<u>51,822,060</u>
	<u>1,585,067,746</u>	<u>208,852,625</u>

Time deposits carry interest rate at commercial rates.

12 SHARE CAPITAL

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
<i>Authorised:</i>		
Ordinary shares of QR 10 each	<u>825,000,000</u>	<u>500,000,000</u>
<i>Issued and fully paid up capital:</i>		
Ordinary shares of QR 10 each	<u>825,000,000</u>	<u>500,000,000</u>

During the year, the authorised, issued and fully paid up capital was increased by QR 325,000,000 by way of 5,000,000 bonus shares issue and 27,500,000 right issue.

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13 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 year, the Company has made a right issue of 27,500,000 shares at QR 40 per share. The resultant share premium amounting to QR 824,066,814 has been transferred to legal reserve in accordance with Article 154 of the Qatar Commercial Companies' Law No. 5 of 2002. The Company has resolved to discontinue the annual transfer as the reserve is more than 50% of share capital.

14 TERM LOANS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Loan 1	79,661,250	-
Loan 2	98,239,500	-
	177,900,750	-
Less: Unamortised finance cost associated with raising finance	(3,735,578)	-
Balance as at 31 December	<u>174,165,172</u>	<u>-</u>

Presented in the balance sheet as:

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Current liability	98,239,500	-
Non current liability	75,925,672	-
	<u>174,165,172</u>	<u>-</u>

Notes:

- (i) Term loans carry interest at commercial rates.
- (ii) On 12 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. The outstanding balance as of 31 December 2005 is reflected as term loan 1.
- (iii) The loan 1 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.
- (iv) The loan 2 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-Sief Limited Q.S.C. The loan is secured by way of a promissory note issued for US\$ 27,000,000. The loan is repayable on demand.
- (v) The finance costs associated with raising finance represent arrangement fee paid for term loan 1.

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15 RETENTION PAYABLE

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Retention payable	<u>29,209,903</u>	<u>282,900</u>

Notes:

- (i) 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.
- (ii) Included in the above retention payable are a sum of QR 16,367,414 payable to a related party, Qatar Dredging Company Q.S.C. (Note 18).

16 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Provision as at 1 January	313,464	-
Provided during the year	357,957	313,464
Excess provision written back	(21,326)	-
End of service benefits paid	<u>(62,101)</u>	<u>-</u>
Provision as at 31 December	<u>587,994</u>	<u>313,464</u>

17 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Accounts payable and other liabilities	62,921,790	19,023,369
Accrued contract costs	230,823,037	-
Advances received from customers	252,984,001	15,097,002
Amounts due to related parties (Note 18)	52,648,801	496,308
Other accrued expenses	36,056,781	1,329,524
Other payables	<u>18,255,624</u>	<u>18,268,440</u>
	<u>653,690,034</u>	<u>54,214,643</u>

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18 RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of United Development Company (Q.S.C.) and its subsidiary, Qatar District Cooling Company QCSC, with 50.5% interest.

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 Company's management.

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

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
(i) Revenue	<u>26,072,849</u>	<u>6,725,999</u>
(ii) During the year, the Company has signed a contract with Qatar Dredging Company (an associate company) for a value of QR 629,180,170 for the land reclamation work relating to the Pearl Qatar Project. The value of completed work during the year amounted to QR 156,336,361.		

Related party balances

Balances with related parties included in the balance sheet are as follows:

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Amounts due from related parties	<u>25,268,423</u>	<u>95,000,000</u>
Amounts due to related parties	<u>69,016,215</u>	<u>496,308</u>

Amounts due from and to related parties are disclosed in notes 10 and 17 respectively

Associates

The Company has a 45.9% interest in Qatar Dredging Company Q.S.C and a 20% interest in Al-Seif Limited.

The Company has provided a short term bridge of loan of QR 25,000,000 (2004 : QR 95,000,000) to Qatar Dredging Company Q.S.C . The loan is repayable in April 2006 and carries no interest.

19 CONTINGENT LIABILITIES

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Bank guarantees	<u>1,003,000</u>	<u>1,003,000</u>
Letters of credit	<u>7,094,948</u>	<u>5,000,000</u>

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20 CAPITAL COMMITMENTS

	<i>2005</i> <i>QR</i>	<i>2004</i> <i>QR</i>
Contractual commitments to contractors/suppliers	<u>2,795,730,802</u>	<u>850,266,712</u>
Unpaid up capital of investments	<u>8,000,000</u>	<u>-</u>

21 FINANCIAL RISK MANAGEMENT

Currency risk

The Company does not hedge its currency exposure. However, management is of the opinion that the Company'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 Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and term loans).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company monitors credit exposures, and continually assess the creditworthiness of counterparties.

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

Liquidity risk

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

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

23 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

24 SEGMENT INFORMATION

The Company is primarily engaged in the development of the Pearl Island and its subsidiary, Qatar District Cooling QCSC is presently in a development stage of its activities. Accordingly, the Company's operating business segment consists of only the development and sale of land.

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