
PUTTING TOGETHER
A SUCCESS STORY

Together, we raise the flag of Qatar

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

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

Commitment to
working in harmony

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CHAIRMAN'S MESSAGE

New Expected Partnerships

I am pleased to report that United Development Company's (UDC) annual performance once again demonstrates UDC's commitment to our shareholders to deliver outstanding financial results and to continue to build for the future.

2007 has been another fruitful year for the Company, achieving QR 344 million in profit, which represents an increase of 38% compared to 2006. We started the year by carefully pursuing selected goals and objectives. The progress we have made so far reinforces our belief in UDC's abilities to produce an outstanding performance in a wide variety of sectors. These include the financial sector, strategic diversification, energy and hydrocarbons, environment protection, community works and last but not least human resources development. We take great pride in ensuring that our contributions in the development of Qatar are aligned with the directives and wisdom of His Highness the Emir, Sheikh Hamad Bin Khalifa Al Thani.

Our continued success emanates, without doubt, from the active involvement and support of the Members of the Board, from our shareholders and from the unyielding dedication and hard work of our staff.

Our commitment to the vision and mission of UDC has been unwavering. We will continue making the investments required to build shareholder value and play our role in the country's development. At the same time, we will remain flexible to adapt our vision and mission to capitalize on the powerful trends shaping our business.

I look forward to another productive year full of many challenges and opportunities. If you consider where we were, where we are now, and where we are going, I am convinced you can appreciate the change and growth that has taken place at UDC and share my confidence about a future that is brimming with opportunity.

Hussain Ibrahim Alfardan
Chairman

MD / PRESIDENT'S MESSAGE

Delivery and Growth are the Basis of Our Success

The year 2007 was a milestone for United Development Company (UDC). Our financial position was as strong as ever, with record revenues of QR 1.86 billion. In concluding another strong year of operational and financial accomplishments, UDC continues to deliver exceptional financial results for its shareholders and remains on a well-charted course for sustained and ambitious growth.

Net profit crossed another barrier to reach QR 344 million, a 38% increase on the preceding year, with Earnings Per Share increasing by 38% to become QR 3.17 per share.
We continue to develop our operations in our industries of choice. This development saw an increase in the investment and operations of existing subsidiaries and associates through additional financial investment in new facilities, equipment and human capital.

Our strategy of identifying more profitable investments for our shareholders is on track and is paying off. We made substantial investments in major integrated long-life projects that will generate profits for decades to come. We broadened our commercial footprint and significantly expanded our presence with domestic, regional and international partnerships and acquisitions. In extending the fundamentally sound strategy of disciplined growth, we specifically focused on diversified industries: hydrocarbon and energy, urban development, environment-related business, infrastructure and utilities, and hospitality and leisure. In 2007, UDC increased its development pace with new ventures in the hospitality, fashion and real-estate industries.

I am grateful to the shareholders and the Board for all their support, as well as to the management team and all of the staff. None of this would be possible without the efforts of the people in the UDC family, whom I would like to thank. The invaluable contribution our people make to the company and our strong performance in 2007 prepares us well for the increasingly strong competition and confirms our ability to deliver results to our shareholders and our partners.

The continuous inspiration, guidance and support of HH the Emir, Sheikh Hamad Bin Khalifa Al-Thani, is our greatest source of motivation and encouragement and for which we are indeed extremely grateful.

Khalil Sholy
MD / President

BOARD OF DIRECTORS

From Left, Standing:
Mr. Khalil Sholy
Managing Director / President
H.E. Abdul Rahman Bin Hamad Al-Attiyah
Director
Mr. Khalifa Abdulla Turki Al-Subai
Director
Mr. Abdulrahman Abdullah Abdulghani Nasser
Director
Mr. Omar Hussain Alfardan
Director
From Left, Sitting:
H.E. Sheikh Nasser Bin Faleh Al Thani
Director
H.E. Abdulla Bin Khalifa Al-Attiyah
Deputy Chairman
Mr. Hussain Ibrahim Alfardan
Chairman
Mr. Mohammed Hamad Abdulla Almana
Director

Values that pave the road for future generations

اللؤلؤة
THE PEARL
QATAR قطر

THE PEARL - QATAR
Competing with the Best in the World

Benchmarked as the Middle East's most glamorous location, The Pearl-Qatar, United Development Company's (UDC) flagship project, is a multi-billion dollar offshore island and one of the largest real estate developments in Qatar. This Riviera Arabia island is already a destination of choice for investors and residents from over 32 countries.

2007 was an outstanding year for The Pearl-Qatar. Sales continued to soar and investors and homeowners showed notable interest in the project.

The Pearl-Qatar will eventually accommodate an upscale multi-cultural residential community comprising 10 precincts to be completed by 2011. The island will also include five-star hotels, marinas, a yacht club, schools, restaurants and lifestyle amenities, and two million square feet of upscale retail space proffering some of the world's most renowned luxury brands.

With pristine parklands, sparkling new beaches and retail centers nestled alongside luxurious marinas, The Pearl-Qatar has been specifically conceived to provide an exclusive lifestyle within a wondrous environment.

Conceptualized and designed with the future in mind, The Pearl-Qatar is deemed one of the smartest islands in the world. It will be home to a full range of diverse technological services and solutions supported by a robust infrastructural backbone. The developers' vision for the island translates into a modern, pollution-free and environmentally-friendly community. The Pearl-Qatar is the first project of its kind in Qatar to adopt the Envac waste disposal system that will be installed all around the island. This will reduce waste transportation, improve hygiene and enhance occupational health and safety standards.

This up-market, multi-cultural residential community offers residents a secure and exclusive island retreat with villas, marina-townhouses and apartment-homes to suit all needs in a Mediterranean lifestyle at the heart of the Gulf.

The Pearl-Qatar is strategically located at the center of Doha's development boom, yet placed gently away from the hustle and bustle of it all.

The Pearl-Qatar will also include the largest mega-yacht facility in the Middle East with more than 1000 berths, creating marinas which have been recognized by their international peers by winning "The Best International Marina Award" during the prestigious CNBC International Award Ceremony at the Bellagio Hotel in Las Vegas in November 2007.

It also came to acclaim two other winnings at the CNBC Arabian Property Awards- "Best Development-Qatar" and "Best Marina-Qatar".

These prestigious awards confirm that The Pearl-Qatar marina is an outstanding real estate development project even within the highly competitive Arab real estate arena.

These awards are more than a sign of excellence. They are a statement of the ground-breaking vision embodied in The Pearl-Qatar project. From its inception, the creators of the project have set their eyes on making it the leading real estate project in this part of the region and have garnered the best resources to accomplish this vision.

The first residents are expected to move into their new homes in the second quarter of 2008 with over 40,000 residents settling into The Pearl-Qatar when completed by 2011. Spanning over approximately 4-million square meters of land, The Pearl-Qatar will include 16,000 dwellings and will create over 32 kilometers of new coastline. The island is located 350 meters offshore Doha's prestigious West Bay District and 25 kilometers away from Doha International Airport.

The Pearl-Qatar offers a lifestyle of unique qualities: fine homes on an island paradise, shops and restaurants featuring the world's best known brands, a water-side haven of marine activity, and an environment second to none in the Arabian Gulf.

As Qatar joins the ranks of the wealthiest and most advanced nations, it naturally seeks to develop its resources and build world-class environments based on an open market. Being part of this growing young nation, The Pearl-Qatar is a smart investment that adds to the economic strength of the country with its offerings of full residency rights, freehold ownership, tailored payment schemes and a tax-free haven.

And, judging by the international media coverage, it already shows every indication of becoming one of the world's most popular travel destinations before this decade is over.

Visions that strive for a better future

قطر كوول
QATAR COOL

QATAR COOL Energy Well Spent

Founded in 2003, Qatar District Cooling Company (Qatar Cool) is a joint venture between United Development Company (UDC), which holds a 51% stake, and National Central Cooling Company P.J.S.C (Tabreed)—a publicly listed company in the UAE and a world leader in district cooling—which holds a 44% stake. Private Qatari investors hold the remaining 5%.

District cooling is a utility service business that supplies re-circulating chilled water from a central district cooling plant via a network of insulated underground pipes. The chilled water is used for air conditioning purposes.

The high demand for air-conditioning in Qatar and the national need for efficient use of electrical power, coupled with the increased focus on environmental solutions offered a long-term business opportunity that matches UDC's vision and business portfolio.

Since its inception, Qatar Cool has been implementing the opportunities identified by UDC for the district cooling market. 2007 marked a pivotal year for Qatar Cool, with one plant in operation, another under construction, and a third, the largest District Cooling Plant in the world, also under construction.

In 2007, Qatar Cool enjoyed a growth of over 50% of connected operating capacity and financial returns that beat all expectations.

Qatar Cool's first District Cooling scheme was launched in the West Bay area of Doha. Covering an area of 10 square kilometers, this scheme was designed to supply over 100,000 refrigerating tons of cooling to a range of residential, commercial and governmental customers.

Qatar Cool has two plants designed to serve the West Bay area. The first operational plant launched its operations in September 2006 with enough capacity to supply about one million square meters of air conditioned area. By the end of 2007, 11 towers were enjoying Qatar Cool services.

The second plant in the same scheme is at its final construction stages. It will be up and running by the second quarter of 2008 to fulfill customers' requirements.

The demand for Qatar Cool's services has been overwhelming particularly after operating the first plant. Today, there are more than 20 additional towers with a capacity of more than 45,000 TR waiting for Qatar Cool to initiate a possible third district cooling plant in the West Bay area. This reflects the level of awareness of investors and their consultants of the fact that district cooling is the optimum choice for cooling in Qatar.

The second major District Cooling scheme is for The Pearl-Qatar (TPQ) where all buildings will be connected to the island's own district cooling system. Being the island's exclusive service provider, Qatar Cool is building the world's largest district cooling plant to meet residential and commercial requirements.

The Pearl-Qatar plant will have a capacity of 130,000 tons when it is fully operational. A network of insulated pipes are currently being installed in the Porto Arabia district of the island and this will extend throughout the island in several phases as development of The Pearl-Qatar progresses. The first phase is scheduled to be up and running in 2008. Full operational capacity will be achieved concurrently with The Pearl-Qatar development.

Further district cooling projects are in the planning stage for the future and are expected to exceed a capacity of 600,000 tons of refrigeration.

An additional investment of more than QR 1 billion will be used to develop similar programs in Qatar over the next few years. Qatar Cool will take a lead role to develop these opportunities to further expand operations to meet future demands.

With supply contracts signed for the next 20 years and a vision for the future, Qatar Cool promises to be a stable, guaranteed revenue stream with exceptional earnings for UDC.

Achievements beyond the horizon

MIDDLE EAST DREDGING COMPANY Q.S.C.
Pioneers in Dredging

Middle East Dredging Company Q.S.C. (MEDCO)- formerly known as Qatar Dredging Company (QDC) - was founded in July 2004 as a private shareholding company between the Government of Qatar (10%), Qatari based United Development Company (UDC) (45.9%), and the Belgian based Dredging and Environmental Marine Engineering-DEME (44.10%). During this period, MEDCO has grown rapidly, securing projects worth more than QR 2 billion both in Qatar and the Gulf region within its first year of operation.

After securing its first major project in Doha, The Pearl-Qatar, MEDCO launched dredging and reclamation works for the island in August 2004. On April 31, 2007, the overall scope of the project was completed 100%. This project called for the excavation of approximately 18 million m^3 of material, reclamation of an area of approximately 4.2 million m^2, around 180,000 m^3 of concrete quay walls, and approximately 45 linear kilometers of rock revetment and sandy beaches.

On December 1, 2004, MEDCO, as part of a consortium, was awarded the reclamation and revetment works at the New Doha International Airport. MEDCO's share is 66.6%. Scope of work included total reclamation works of 62 million m^3, 18 kilometers of revetment/shore protection, and dredging of an ornamental lagoon with 3.7 kilometers of shore protection.

Heavy investments have been made in marine equipment and MEDCO currently owns two Cutter Suction Dredging Spread and one Trailer Suction Hopper Dredger complete with auxiliary equipment, pipelines, and civil construction equipment.

MEDCO has been awarded several other major projects in the region and is currently bidding for several more.

The growth in the energy related industries, as well as of tourism and housing developments, creates a huge demand for the expansion of port facilities, airports or other land reclamation schemes for residential and/or recreational purposes.

As economies in the region continue to witness rapid growth, new ports and causeways will be built and existing channels and harbors will be deepened and expanded offshore. MEDCO has already secured a key part of the market share and will also be capitalizing on Dredging-plus activities. These will involve shore protections through land reclamation and beach nourishments, specialized environmental techniques and offshore activities such as trenching and pipeline protection, specifically for the oil and gas sectors. This offers MEDCO a range of various business opportunities in 2008.

The company continues to invest in human and technical resources in order to maintain its high standards for quality, health, safety and environmental protection and security.

All these factors contribute to MEDCO's status as a leader in the dredging and reclamation business and pave the way to a successful year ahead.

Ambitions that defy the impossible

UNITED READY-MIX Commitment to Quality

In November 2005, United Development Company (UDC) entered into a joint venture with Belgium's BESIX/Six Construct to establish a ready-mix concrete facility, United Ready-Mix (URM). Shareholding was split between UDC (32%) and BESIX/Six Construct (49%). Other Qatari investors hold the remaining (19%). The company is managed through a six-member Board of Managers, three from UDC and three from BESIX/Six Construct.

United Ready-Mix started production mid-2006 and has become an important member of the UDC group. Its primary customers are the construction contractors on The Pearl-Qatar. It is estimated that The Pearl- Qatar project will require approximately 2.8 million m^3 of concrete over the development life of the project.

United Ready-Mix is presently producing 60,000 m^3 per month, a figure that will see significant increase in the coming years as Qatar's construction sector continues its strong growth. With a fleet of 30 mixer trucks and 15 concrete pumps, United Ready-Mix is able to supply customers the quantity and the quality they need 24 hours a day.

Qatar's rapidly growing economy continues to drive the massive boom in the construction sector and is expected to stimulate excellent growth and strong earnings for United Ready-Mix in the coming years.

United Readymix WLL

Commitment to delivering promises to our partners

شركة الخليج للفورمالدهايد
Gulf Formaldehyde Co

GULF FORMALDEHYDE COMPANY
International Standards

With a 10% stake in Gulf Formaldehyde Company (GFC), United Development Company (UDC) continues to benefit from the growing need for urea formaldehyde concentrate (UFC), an important additive for fertilizer granules production.

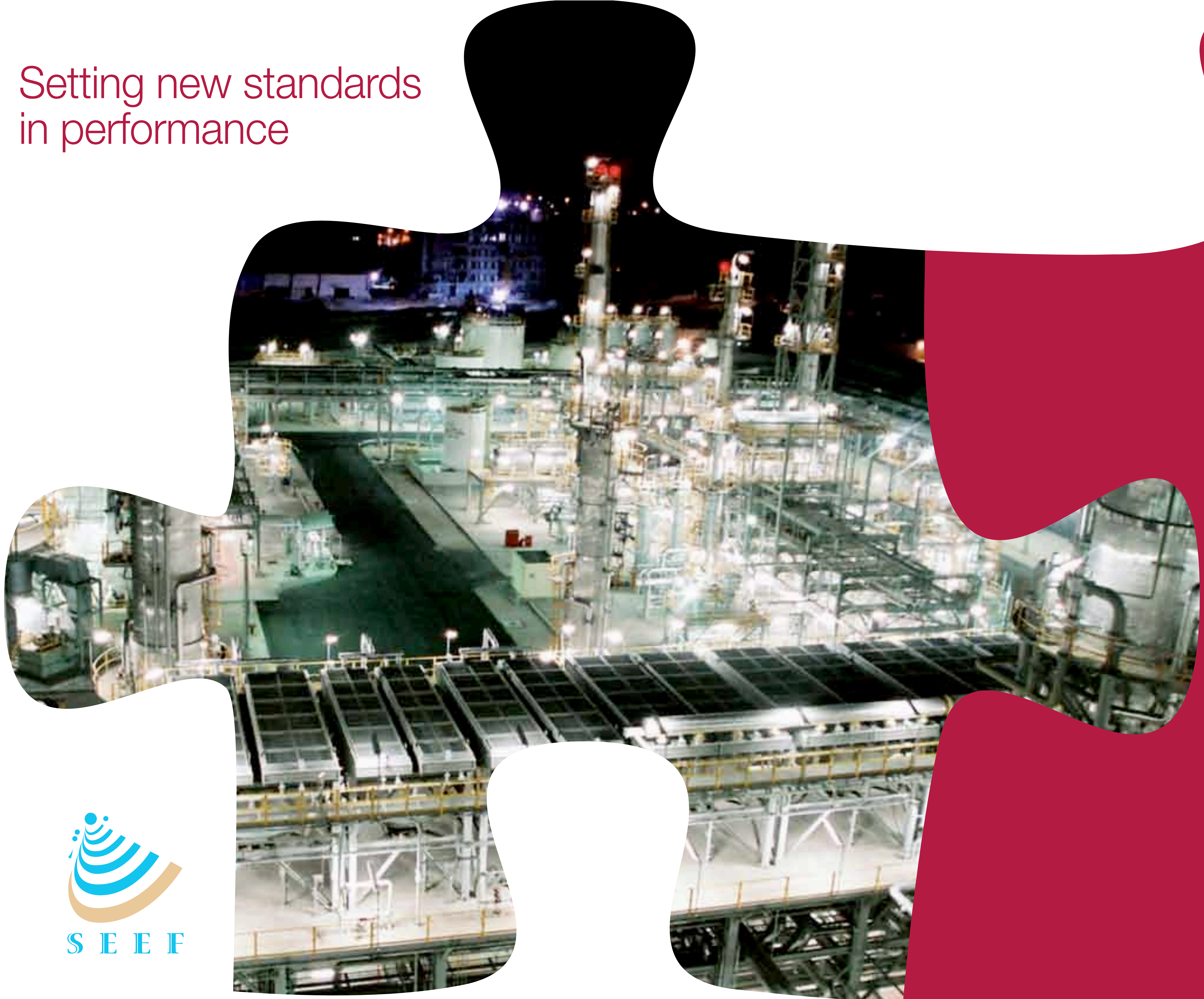
The Company's production plant is located at Qatar Fertilizer Company (QAFCO) plant in the Mesaieed Industrial City. QAFCO is responsible for the operation and maintenance of the plant and is GFC's main client. It also markets the product for international sales.

Commercial production of UFC began in September 2003. Growing demand for urea has prompted QAFCO to begin expansion plans for their new production facility QAFCO-5. As a result, studies are underway for the construction of a new UFC production facility to meet QAFCO's future requirements.

Incorporated in the State of Qatar in March 2003, Gulf Formaldehyde Company has an authorized and issued capital of QR 40 million. In addition to UDC's 10% stake, GFC shareholders include QAFCO which holds 70%, Qatar Industrial Manufacturing Company, with a 15% stake and Amwal which holds a 5% stake, respectively.

GFC's continued profitability and potential growth highlight the soundness of this investment. UDC anticipates positive earnings will continue in the coming years due to growing demand.

Setting new standards in performance



SEEF
Producing for the Future

This joint venture business between United Development Company (UDC) and Qatar Petroleum (QP) was formed in May 2004 with authorised capital of QR 1.0 billion to produce and sell Linear Alkyl Benzene (LAB)— which is the petrochemical product and main raw material used for producing detergents. UDC has a 20% stake whilst QP holds 80% and is responsible for the operation and maintenance of the plant. Its state-of-the-art production plant, which began production in early 2006, has a nominal capacity of 100,000 tons per year. Production operations during 2007 reached 115% of the installed capacity.

In 2007, SEEF established its own Marketing Department to take over the marketing function from QP. New sales strategies were implemented during 2007 to maximize the company's sales and revenues. These strategies achieved a wider customer base, higher sales and higher margins.

Before the close of 2007, SEEF had secured from two existing customers commitment to take 96% of SEEF's 2008 production. SEEF's by-product Heavy Alkyl Benzene (HAB) was successfully marketed and sold out on the international market.

SEEF Limited is expected to generate solid earnings for UDC in 2008 and beyond.

SEEF

Partnerships that seek the best

MILLENYA INC. Leading Technologies

Operated from the Turkish capital city of Ankara, Millenya Inc. is the developer and manufacturer of the modular 'BiocellTM' compact system. United Development Company (UDC) holds a 60% share in the company. Millenya offers industry leading technology that can deliver efficient and economical wastewater treatment solutions for a wide range of public and private sector clients.

There are hundreds of Millenya BiocellTM units operating in Turkey, Jordan and Iraq. Installation of the first BiocellTM plant in Qatar was completed in December 2007 at The Pearl-Qatar island. The plant will treat wastewater from offices and construction camps during the development and construction phases. The treated water conforms to European Union standards and is suitable for use in irrigation and construction purposes.

Honest and transparent relations

Ronáutica
MIDDLE EAST

RONAUTICA MIDDLE EAST L.L.C.
Award Winning Marinas

Ronáutica Middle East LLC was incorporated in early 2007 as a joint venture between United Development Company (UDC) (60%) and Spain's Ronáutica, S.A. (40%). Ronáutica Middle East was established for the purpose of managing and operating five-star marinas and developing yachting related activities in The Middle East. The marinas at The Pearl-Qatar will be Ronáutica's showcase in the Middle East.

Ronáutica are the marina experts in the Middle East. Their mission is to provide a complete range of seamlessly integrated marine leisure services for yachts and their owners, and the public.

Ronáutica SA has been involved in the design, manufacturing, installation and management of marinas for over 20 years. It is an experienced operator and builder of marinas, a sailing yacht manufacturer and a supplier of leisure marine services. One of its recognized qualities is its passion for the sea and its collaboration with international research centers and universities to integrate state-of-the-art solutions and equipment into its marinas.

Since its inception, Ronáutica Middle East has built a good reputation in Doha and has been successful in dealing with all aspects of Marina services. The current scope of activities includes a yacht repair yard, a ship chandlery, sailing school, diving school and charter management among others.

Amongst their current projects is the management of the three marinas at The Pearl-Qatar: Porto Arabia, Costa Malaz and Viva Bahriya. The Porto Arabia Marina will be operational in the beginning of the Second Quarter of 2008.

The Ronáutica Middle East design team has been able to increase the amount of berths in The Pearl-Qatar by more than 30% thus increasing the number of berths to 1000+ including 75 super yachts. This makes The Pearl-Qatar Marinas the largest mega yacht facility in the Middle East.

In November 2007, The Pearl-Qatar was awarded the CNBC International Award for "Best Marina Development". This establishes Ronáutica Middle East as one of the leading marina management firms in the world. Ronáutica Middle East was also honored at the CNBC Arabian Property Awards with a "Best Marina Development-Qatar" Award. These CNBC Property Awards are a symbol of excellence in a competitive industry.

The lease of a selected number of marina berths in The Pearl-Qatar was initiated during 2007 with huge success. The first group of berths were rented out within days.

Porto Arabia is by far the largest of the marinas. It will support 785 vessels ranging in size from 10m to 60m. Facilities will include a fuelling berth at the entrance of the marina, direct connection to vacuum sewage system in individual berths, changing rooms and shower facilities for visiting yachtsmen, and taxi and ferry services to Doha City and the airport.

The marina in Viva Bahriya will accommodate more than 100 vessels of 15m and below. It will be equipped with a fuel and pump-out berth, a major Yacht Club with added services like sailboards, boat chartering, waterskiing and a diving school. The Pearl-Qatar's boat maintenance facility will be located in Viva Bahriya and will be equipped with tie-up maintenance berths, slipway, boatlift, maintenance workshops, offices, chandlery and dry storage facilities.

The third marina at Costa Malaz, will host The Pearl-Qatar's premier sailing club. It will have 117 wet berths, a sailing club house and chandlery.

The future plans of Ronáutica Middle East focus on maintaining its strong position in the marine leisure industry and to expand its activities into new markets. For 2008, it will focus on becoming a key player in the yachting industry by bringing first class brands of sailing and motor yachts to the Middle East.

NEW MEMBERS

Hospitality Development Company HDC

Is United Development Company's (UDC) 100% owned subsidiary, specialized in owning, developing and operating world-class hospitality projects. HDC is creating partnerships with globally recognized leaders as well as young promising hotels, resorts and restaurant brands. Although HDC's ambitions are global, Qatar and the Middle East and North Africa (MENA) region, which are poised for double-digit tourism growth over the coming years, are the initial development priority. Many of HDC's high-end resort, hotel and restaurant brands will be entering the MENA market for the first time at The Pearl-Qatar; adding further to the project's pioneering and innovative edge. HDC is set to strongly contribute in making The Pearl-Qatar and then, the region at large, one of the most exclusive fashionable and sophisticated tourist destinations in the world.

United Fashion Company UFC

Fully owned by United Development Company (UDC), UFC promises to be the leading fashion company in the Central Europe, Middle East and Africa (CEMEA) region. With aggressive expansion plans and US $5M in paid up capital, UFC will be a prominent player in the fashion industry, the fourth largest industry in the world. UDC plans to introduce more than 50 international brands and open 950 stores in more than 12 countries.

Medina Centrale and Abraj Quartier (Under Incorporation)

Also owned by UDC, it will own and lease residential and retail spaces within The Pearl-Qatar.

ASTECO Qatar (Under Incorporation)

UDC has partnered with ASTECO, a leading company with regional know-how in property management. ASTECO will offer advice on property development from initial design to final sale, property sector reviews, regional market updates, value and rent indices and trend analysis tailored to specific client requirements.

UNITED DEVELOPMENT COMPANY
Vision for a Better Future

United Development Company (UDC) is one of Qatar's leading public shareholding companies. UDC's mission is to identify and create opportunities that contribute to Qatar's growth and provide good shareholder value. The Company was established in July 1999 and has an authorized share capital of QR 1.0725 billion (US $294 million). It was listed on the Doha Securities Market in June 2003.

UDC's target areas of interest include: infrastructure and utilities, hydrocarbon and energy, urban development, environment-related businesses, and hospitality and leisure.

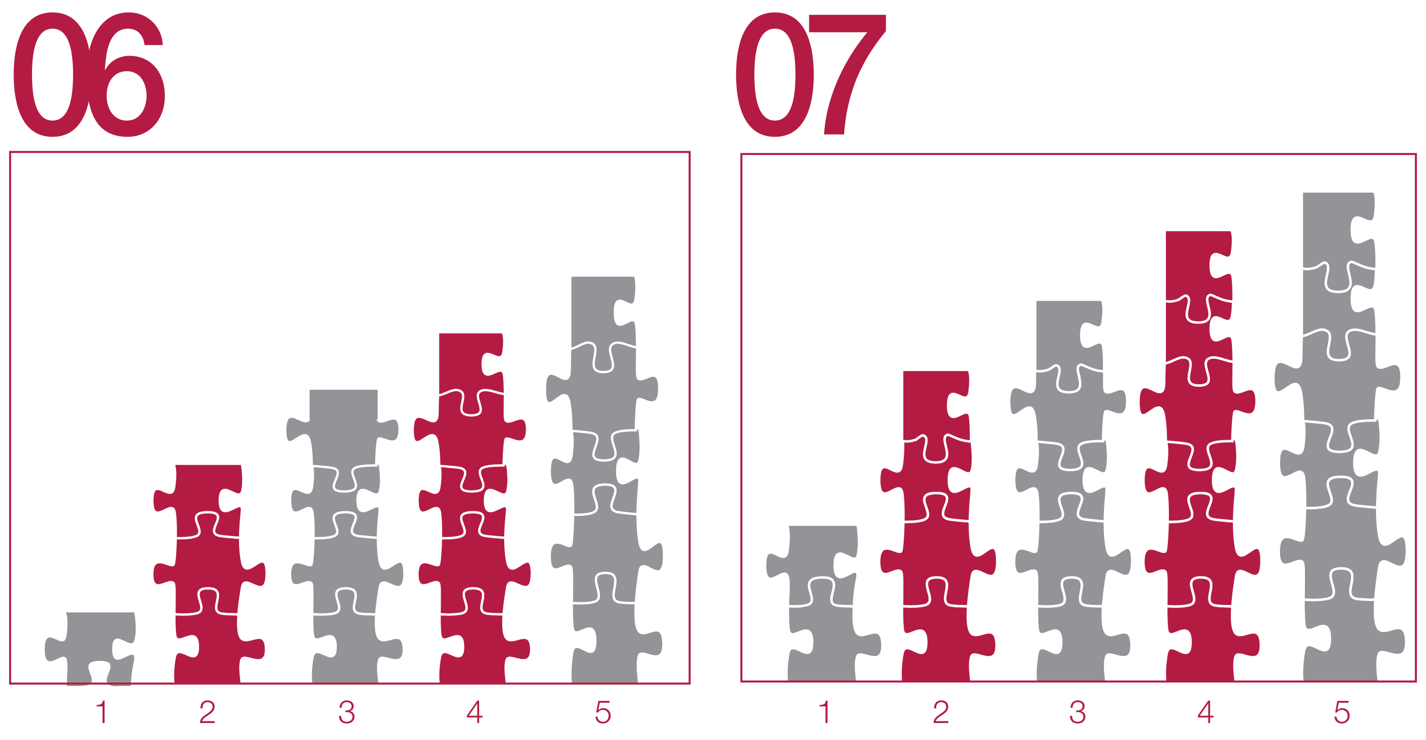
From day one, the company's mandate and mission has been to become a cornerstone in the development that the region is currently witnessing; creating lasting value and maximizing returns for partners and shareholders. Through a combination of project activities and commercial enterprise, UDC has developed into the first-choice private sector joint venture partner for international investors in Qatar.

Since 1999, UDC has moved from project research into development, production and operations. Project research has culminated into the successful creation of companies that are amongst the leaders in their related fields of industry. The Company prides itself in its ability to create quality investment opportunities both at home and overseas. The company is empowered to invest in financial instruments in Qatar.

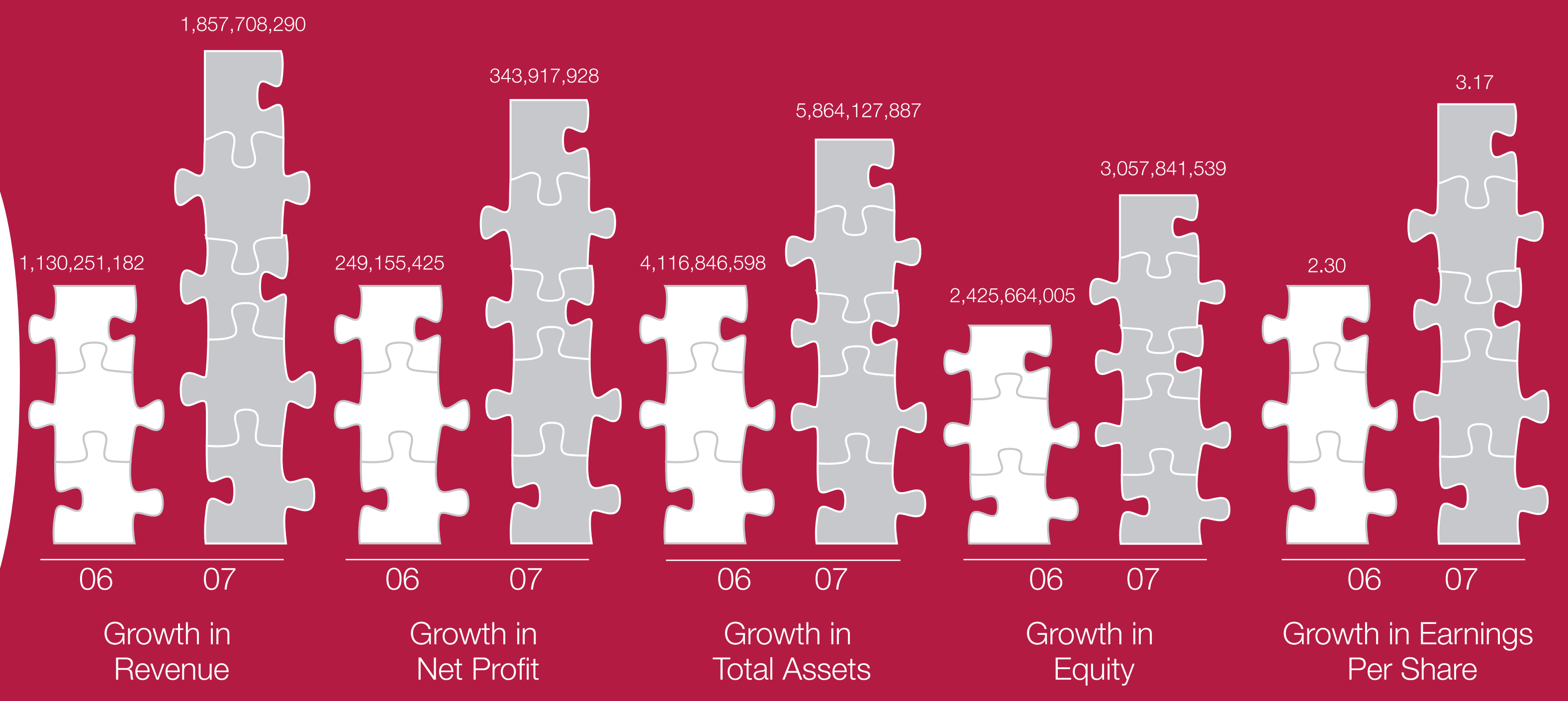
UDC's founders, who at launch held 45% of the shares, are among Qatar's most successful investors and developers. Other Qatari and GCC investors are also shareholders in UDC.

Making a difference individually, making a difference together.

FINANCIAL HIGHLIGHTS 2007



1- Revenues in 2007 posted a 64% increase from those reported in 2006
2- Net profits went up by 38%
3- Total assets soared 42%
4- Total equity rose by 26%
5- Basic earnings per share jumped from 2.30 to 3.17



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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of United Development Company (P.S.C.) ('the Company'), and its subsidiaries (together 'the Group') which comprise the consolidated balance sheet as at 31 December 2007 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. The financial statements as of and for the year ended 31 December 2006 were audited by another auditor whose report dated 18 February 2007 expressed an unqualified opinion on those financial statements.

Responsibility of the directors for the Financial Statements

Directors are responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the 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 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reveiwed the accompanying report of the board of directors and confirm that the information contained thereon is consistent with consolidated financial statements. We are not aware of any violations of the provision of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its consolidated financial position as of 31 December 2007. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ahmed Hussain
KPMG
Auditor's Registration No. 197
Date: 21 January 2008
Doha
State of Qatar

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2007

Qatari Riyals

	Notes	2007	2006
Revenue		1,857,708,290	1,130,251,182
Cost of sales		(1,544,560,656)	(892,050,068)
Gross profit		**313,147,634**	**238,201,114**
Interest income		53,969,652	60,656,241
Dividend income		4,253,405	31,201,101
Other income	5	128,586,134	5,918,717
Sales and marketing expenses		(62,283,585)	(28,473,149)
General and administration expenses	6	(35,479,138)	(22,982,146)
Impairment losses on available-for-sale investments		-	(10,218,913)
Finance costs		(5,236,281)	(4,350,281)
Net share of results of associates	10	(53,039,893)	(20,797,259)
PROFIT FOR THE YEAR		**343,917,928**	**249,155,425**
Attributable to :			
Equity holders of the parent		339,565,768	247,117,597
Minority interest		4,352,160	2,037,828
PROFIT FOR THE YEAR		**343,917,928**	**249,155,425**
Basic and diluted earnings per share	7(a)	**3.17**	**2.30**
(Attributable to equity holders of the parent)			

* The attached notes 1 to 31 form part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

Qatari Riyals

	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,415,181,257	729,665,529
Intangible assets	9	8,867,072	8,867,072
Investments in associates	10	306,956,781	368,381,213
Long term receivables	11	6,111,436	4,943,500
Available-for-sale investments	12	1,108,892,378	642,666,072
		2,846,008,924	1,754,523,386
Current assets			
Inventories		11,412,216	8,131,136
Work in progress	13	648,457,493	528,327,735
Accounts receivable and prepayments	14	939,462,264	694,294,094
Cash and cash equivalents	15	1,418,786,990	1,131,570,247
		3,018,118,963	**2,362,323,212**
TOTAL ASSETS		**5,864,127,887**	**4,116,846,598**
EQUITY AND LIABILTIES			
Equity attributable to equity holders of the parent			
Share capital	16	1,072,500,000	1,072,500,000
Legal reserve	17	772,946,022	772,946,022
Cumulative changes in fair values		344,964,396	(25,867,460)
Proposed dividends	18	268,125,000	214,500,000
Other reserves	19	325,272,964	264,145,214
Retained earnings		104,058,365	32,617,597
Total equity attributable to equity holders of parent		2,887,866,747	2,330,841,373
Minority interest		169,974,792	94,822,632
Total equity		**3,057,841,539**	**2,425,664,005**
Non-current liabilities			
Term loans	20	1,326,770,523	470,869,747
Retention payable	21	114,733,347	32,130,395
Employees' end of service benefits	22	3,276,234	1,625,578
		1,444,780,104	504,625,720
Current liabilities			
Accounts payable and accruals	23	1,263,450,584	1,123,743,933
Term loans	20	23,768,673	213,840
Retention payable	21	74,286,987	62,599,100
		1,361,506,244	1,186,556,873
Total liabilities		**2,806,286,348**	1,691,182,593
TOTAL EQUITY AND LIABILITIES		**5,864,127,887**	4,116,846,598

These financial statements were approved by the Board of Directors and were signed on their behalf by the following on 21 January 2008

Hussain I. Al Fardan
Chairman of the Board

Khalil Sholy
Managing Director & President

* The attached notes 1 to 31 form part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2007

Qatari Riyals

	Notes	2007	2006
OPERATING ACTIVITIES			
Profit for the year		343,917,928	249,155,425
Adjustments for:			
Share of loss of associates	10	53,039,893	20,797,259
Depreciation	8	16,447,742	5,601,865
Loss from assets sold		3,459	-
Impairment losses on available-for-sale investments		-	10,218,913
Finance costs		5,236,281	4,350,281
Interest income		(53,969,652)	(60,656,241)
Dividend income		(4,253,405)	(31,201,101)
Provision for employees' end of service benefits	22	1,934,167	1,218,138
		362,356,413	199,484,539
Working capital changes:			
Long term receivables		(1,167,936)	(4,943,500)
Inventories		(3,281,080)	(7,913,338)
Work in progress		(110,245,219)	(406,687,648)
Accounts receivable and prepayments		(245,168,170)	(567,749,940)
Accounts payable and accruals		139,706,651	459,994,785
Retention payable		94,290,839	65,519,592
Cash from / (used in)operations		236,491,498	(262,295,510)
Employees' end of service benefits paid	22	(283,511)	(205,008)
Finance cost paid		(18,710,046)	(4,350,281)
Net cash from / (used in) operating activities		**217,497,941**	(266,850,799)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(640,893,980)	(315,271,383)
Proceeds from sale of property, plant and equipment		54,801	-
Time deposits with maturities more than three months		-	(36,425,130)
Purchase of available-for-sale investments		(95,394,450)	(230,793,509)
Acquisition of a subsidiary, net of cash acquired		-	(8,731,569)
Investment in an associate		(1,500,000)	(69,444,000)
Interest income		53,969,652	60,656,241
Dividend income		4,253,405	31,201,101
Net cash used in investing activities		**(679,510,572)**	(568,808,249)
FINANCING ACTIVITIES			
Amount drawn under term loans		1,087,839,475	478,344,962
Repayment of term loan		(194,910,101)	(177,686,910)
Deferred financing cost		-	(3,739,637)
Contribution from minority shareholders		70,800,000	48,357,580
Proposed dividend paid		(214,500,000)	-
Net cash from financing activities		**749,229,374**	345,275,995
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**287,216,743**	(490,383,053)
Net foreign exchange difference		-	460,424
Cash and cash equivalents at 1 January		1,095,145,117	1,585,067,746
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**1,382,361,860**	1,095,145,117

* The attached notes 1 to 31 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2007

Qatari Riyals

	Notes	Attributable to equity holders of the parent							Minority interest	Total equity
		Share capital	Legal reserve	Cumulative changes in fair values	Proposed dividends	Other reserves (Note 19)	Retained earnings	Total		
Balance at 1 January 2007		**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**
Revaluation of land						61,127,750		61,127,750		61,127,750
Net movement in fair value of available-for-sale investments during the year		-	-	370,831,856	-	-	-	370,831,856	-	370,831,856
Total income and expense for the year recognised directly in equity		-	-	370,831,856	-	61,127,750	-	431,959,606	-	431,959,606
Profit for the year		-	-	-	-	-	339,565,768	339,565,768	4,352,160	343,917,928
Total income and expense for the year		-	-	370,831,856	-	61,127,750	339,565,768	771,525,374	4,352,160	775,877,534
Contribution from minority shareholders		-	-	-			-	-	70,800,000	70,800,000
Dividends paid out		-	-	-	(214,500,000)	-	-	(214,500,000)	-	(214,500,000)
Proposed dividends 2007	18	-	-	-	268,125,000	-	(268,125,000)	-	-	-
Balance at 31 December 2007		**1,072,500,000**	**772,946,022**	**344,964,396**	**268,125,000**	**325,272,964**	**104,058,365**	**2,887,866,747**	**169,974,792**	**3,057,841,539**
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		-	-	-	-	-	247,117,597	247,117,597	2,037,828	249,155,425
Total income and expense for the year		-	-	(229,800,427)	-	264,145,214	247,117,597	281,462,384	2,350,678	283,813,062
Issue of bonus shares	16	247,500,000	(57,280,572)	-	-	-	(190,219,428)	-	-	-
Contribution from minority shareholders		-	-	-	-	-	-	-	48,044,730	48,044,730
Proposed dividends for 2006	18	-	-	-	214,500,000	-	(214,500,000)	-	-	-
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 31 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 Emiri Decree number (2) on 2 February 1999. The registered office of the Company is situated in Doha, State of Qatar. The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

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 Emiri Decree No. 17 of 2004, the Company has been provided with a right to develop an island off the shore of Qatar for the sale and or lease of properties. The Company is presently engaged in the development of this area known as Pearl Qatar project. The Pearl Qatar project involves reclamation of land covering an area of 985 acres (4.2 million square meters) into a man made island and the development of the island into various districts comprising 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 are being performed on a mix use development basis with substantial completion expected in 2011.

The consolidated financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 21 January 2008.

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.

2.2 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.3 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2007

	Country of	% equity interest	
	incorporation	2007	2006
Qatar District Cooling Company QCSC	Qatar	51	50.50
Millenya Inc.	Republic of Turkey	60	-
Ronautica Middle East Qatar	Qatar	60	-
The Pearl Qatar Company	Qatar	100	-
Hospitality Development Company	Qatar	100	-

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.

Ronautica Middle East is involved in the development, operation and sale of marina and marine related equipment.

The Pearl Qatar Company is engaged in the planning, development and operation of the Pearl Qatar.

Hospitality Development Company is engaged in the investment and development of hotel, leisure facilities and food and beverage brands.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are 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 consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.4 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.

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

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

- IFRS 8 – Operating Segments
- IAS 1 – Presentation of Financial Statements (revised)
- IAS 23 – Borrowing Costs (revised)

The application of IFRS 8, which will be effective for the year ending 31 December 2009, will result in amended and additional disclosures relating to the Groups operating segments, products, and services, the geographical areas in which it operates and its major customers.

This application of IAS 1 (revised) which will be effective for the year ending 31 December 2009 will result in amendments to the presentation of financial statements.

The application of IAS 23 (revised) which will be effective from the year ending 31 December 2009, will not result significant changes to the financial statements.

2.5 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.

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 2007 was QR 8,867,072 (2006: QR 8,867,072). Further details are given in Note 9.

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

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

The lands carried at fair value are disclosed in Note 8.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) REVENUE RECOGNITION

Revenue from sale of properties
Provided that revenue recognition criteria are met, revenue on sale of properties 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.

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

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

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.

Dividend income

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

B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are 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, plant and facilities	20 - 25 years
Building improvement	3 - 7 years
Furniture, fixtures, equipment and instruments	3 - 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 recognized in profit or loss, in which case the increase is recognized in the income statement. A revaluation deficit is recognized 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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in income statement.

C) 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.

D) 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.

E) 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.

F) 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.

G) IMPAIRMENT

(I) FINANCIAL ASSETS

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in the consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the consolidated income statement.

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 the estimated future cash flows discounted at the original effective interest rate.

d) Individually significant financial assets are tested for impairment on an individual basis.

e) The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

(II) NON-FINANCIAL ASSETS

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

H) FINANCIAL INSTRUMENTS

(I) NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of bank balance and cash flows.

Accounting for finance income and expense is discussed in note 29.

(II) AVAILABLE FOR SALE INVESTMENTS

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are initially carried at cost. After initial recognition, investments which are classified "available-for-sale – quoted" are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 27), are recognised directly in equity. 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.

I) INVENTORIES

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

J) WORK IN PROGRESS

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

K) 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.

L) BANK BALANCES AND CASH EQUIVALENTS

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

M) 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.

N) 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.

O) 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.

P) 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.

Q) 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.

R) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets
A financial asset is derecognised where:

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

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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.

S) FAIR VALUES

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

(I) AVAILABLE-FOR-SALE INVESTMENTS

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

(II) TRADE AND OTHER RECEIVABLES

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

(III) NON-DERIVATIVE FINANCIAL LIABILITIES

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

3. FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk.

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

(I) CREDIT RISK

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

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The majority of the group's revenue is attributable to customers originating from the Gulf cooperative Council States. There is no concentration on credit risk attributable to a single customer.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

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

(II) LIQUIDITY RISK

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

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

(III) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

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(IV) CURRENCY RISK

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

(V) INTEREST RATE RISK

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

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

4. 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 were 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 comprises 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.

5. OTHER INCOME

	2007	2006
Fee income	103,194,000	-
Miscellaneous	25,392,134	5,918,717
	128,586,134	5,918,717

Qatari Riyals

6. GENERAL AND ADMINISTRATION EXPENSES

	2007	2006
Staff costs	7,417,026	3,794,247
Depreciation	1,242,052	463,788
Rent	2,045,865	916,006
Professional charges	3,370,058	1,387,886
Directors remuneration	13,500,000	9,000,000
Other general and administration expenses	7,904,137	7,420,219
	35,479,138	22,982,146

7. (A) BASIC AND DILUTED 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.

	2007	2006
Profit for the year attributable to equity share holders of parent	339,565,768	247,117,597
Weighted average number of shares outstanding during the year	107,250,000	107,250,000
Basic and diluted earnings per share	**3.17**	2.30

Notes:

(I) THE WEIGHTED AVERAGE NUMBER OF SHARES HAS BEEN CALCULATED AS FOLLOWS:

	2007	2006
Qualifying shares at beginning of the year	107,250,000	82,500,000
Effect of bonus shares issued	-	24,750,000
Weighted average number of shares during the year	**107,250,000**	107,250,000

(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.

Qatari Riyals

7. (B) DIVIDEND PER SHARE

	2007	2006
Dividends for the year	**268,125,000**	214,500,000
Weighted average number of ordinary shares	**107,250,000**	107,250,000
Dividend per share (QR)	**2.50**	**2.00**

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Plant facilities	Furniture, Fixtures, Equipment and Instruments	Motor vehicles	Capital work in Progress	Total 2007	Total 2006
Cost or valuation:								
At 1 January	233,457,949	50,924,418	-	23,005,370	7,633,404	423,807,975	738,829,116	159,591,047
Acquisition of a subsidiary	-	-	-	-	-	-	-	281,896
Additions	30,450,000	10,582,249	-	6,585,659	5,490,156	587,785,916	640,893,980	315,271,383
Transfer	83,424,000	-	271,761,674	-	-	(355,185,674)	-	-
Disposals	-	-	-	-	(226,500)	-	(226,500)	-
Revaluation	61,127,750	-	-	-	-	-	61,127,750	263,684,790
At 31 December	408,459,699	61,506,667	271,761,674	29,591,029	12,897,060	656,408,217	1,440,624,346	738,829,116
Depreciation:								
At 1 January	-	1,485,607	-	6,004,795	1,414,727	258,458	9,163,587	3,561,722
Depreciation charge for the year	-	4,703,824	4,862,842	5,226,078	1,654,998	-	16,447,742	5,601,865
Transfer	-	-	258,458	-	-	(258,458)	-	-
Disposals	-	-	-	-	(168,240)	-	(168,240)	-
At 31 December	-	6,189,431	5,121,300	11,230,873	2,901,485	-	25,443,089	9,163,587
Net carrying amount:								
At 31 December 2007	**408,459,699**	**55,317,236**	**266,640,374**	**18,360,156**	**9,995,575**	**656,408,217**	**1,415,181,257**	
At 31 December 2006	233,457,949	49,438,811	-	17,000,575	6,218,677	423,549,517		729,665,529

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

	2007	2006
Cost of sales	4,866,824	258,458
General and administration expenses	1,242,052	463,788
Work in progress	10,213,129	4,771,537
Capital work in progress	125,737	108,082
	16,447,742	**5,601,865**

(I) THE DISTRICT COOLING SYSTEM PLANT AND RELATED FACILITIES ARE BEING CONSTRUCTED ON THE FREEHOLD LAND OWNED BY THE GROUP.

(II) 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 15 JANUARY 2008. THE MANAGEMENT BELIEVES THAT THE FAIR VALUE AT THIS DATE APPROXIMATES THE FAIR VALUE AS AT 31 DECEMBER 2007. THE COST OF THE LAND WHICH WAS SUBJECT TO REVALUATION AMOUNTED TO QR 53.20 MILLION.

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

	2007	2006
Cooling plants – Qatar Cool	310,753,228	275,719,232
Properties under development	318,346,884	59,824,130
Others	27,308,105	88,006,155
	656,408,217	423,549,517

(i) Included in capital work in progress as of 31 December 2007 are capitalised borrowing costs amounting to QR 28,886,631 (2006 : QR 14,349,069).

(ii) Properties under development represent 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.

9. INTANGIBLE ASSETS

	2007	2006
Goodwill	**8,867,072**	8,867,072

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

10. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	Country of incorporation	Shareholding	2007	2006
Middle East Dredging Company Q.S.C.	Qatar	45.9%	60,223,040	126,721,811
Al-Seef Limited Q.S.C.	Qatar	20%	233,353,441	233,353,441
United Readymix W.L.L.	Qatar	32%	11,880,300	8,305,961
ASTECO Qatar	Qatar	30%	1,500,000	-
			306,956,781	368,381,213

Notes:

(i) Middle East Dredging Company Q.S.C. is involved in project related dredging and reclamation activities in the Gulf States and other neighbouring countries. During 2007, the company changed its name from Qatar Dredging Company to Middle East Dredging Company.

(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. During the year the company's share capital was increased from QR.300 Million to QR.1 Billion by transfer of QR. 700 Million from the share holder advance account to share capital account. Therefore the remaining cash advance in the investment balance amounts to QR 30,244,000 (2006 : QR 170,244,000), which may be converted into share capital at a later date.

(iii) United Readymix W.L.L. is engaged in the production and sale of readymix concrete and other building materials.

(iv) ASTECO Qatar is involved in property management activity.

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

11. LONG TERM RECEIVABLES

	2007	2006
Long term receivables	7,527,942	5,608,514
Less: Unearned finance income	(1,416,506)	(665,014)
	6,111,436	4,943,500

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

12. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
Available for sale investments – quoted shares	1,104,892,378	638,666,072
Available for sale investments – unquoted shares	4,000,000	4,000,000
	1,108,892,378	642,666,072

13. WORK IN PROGRESS

	2007	2006
The Pearl Qatar	648,457,493	528,327,735

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 and the work in progress primarily represent costs incurred for the development which are not billed as of 31 December 2007.

14. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007	2006
Trade accounts receivable	154,968,582	17,855,595
Accrued income	6,716,294	30,992,412
Advances to contractors	597,860,619	403,927,379
Amounts due from customers	132,733,446	-
Amounts due from related parties	29,906,111	59,355,258
Prepaid expenses and other assets	17,277,212	19,206,961
Notes receivable	-	162,956,489
	939,462,264	694,294,094

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

	2007	2006
Middle East Dredging Company Q.S.C.	9,904,874	40,000,000
United Readymix W.L.L.	19,686,237	19,355,258
ASTECO	315,000	-
	29,906,111	59,355,258

• The majority of balance due from Middle East Dredging Company Q.S.C. represents the short term bridge loan provided by the Group at commercial rates.

15. CASH AND CASH EQUIVALENTS

	2007	2006
Cash on hand and bank balances	292,258,606	76,095,559
Time deposits	1,126,528,384	1,055,474,688
	1,418,786,990	1,131,570,247
Less: Time deposits maturing after 90 days	(36,425,130)	(36,425,130)
	1,382,361,860	1,095,145,117

Time deposits carry interest at commercial rates.

16. SHARE CAPITAL

	2007	2006
Authorised, issued and fully paid up capital: 107,250,000 ordinary shares of QR 10 each (2006 : 107,250,000 shares of QR 10 each)	1,072,500,000	1,072,500,000

	2007	2006
Number of shares		
On issue at 1 January	107,250,000	82,500,000
Bonus Shares	-	24,750,000
On issue at 31 December	**107,250,000**	107,250,000

At 31 December 2007 the authorised share capital comprised QR 107,250 thousand ordinary shares (2006: QR 107,250 thousand), all other shares have a par value of QR 10. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

18. DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed dividends of QR 2.50 per share totalling QR 268,125,000 for 2007 (2006 : QR 214,500,000). The proposed dividend will be submitted for formal approval at the Annual General Meeting.

19. OTHER RESERVES

	Asset revaluation reserve	Foreign currency translation reserve	Total 2007
Balance at 1 January 2007	263,684,790	460,424	264,145,214
Revaluation of land	61,127,750	-	61,127,750
Balance at 31 December 2007	**324,812,540**	**460,424**	**325,272,964**

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.

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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.

20. INTEREST BEARING LOANS AND BORROWINGS

	2007	2006
Loan 1	-	194,910,101
Loan 2	409,278,150	-
Loan 3	141,329,000	141,329,000
Loan 4	819,562,500	141,001,175
Loan 5	1,318,526	1,318,526
	1,371,488,176	478,558,802
Less: Unamortised finance cost associated with raising finance	(20,948,980)	(7,475,215)
Balance as at 31 December	**1,350,539,196**	471,083,587
Presented in the balance sheet as:		
Current liability	23,768,673	213,840
Non-current liability	1,326,770,523	470,869,747
	1,350,539,196	471,083,587

Notes:

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

(i) 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. This loan was repayable in nineteen semi-annual instalments commencing from September 2008 and ending on March 2018. 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. The shareholders of the subsidiary had also provided corporate guarantees in favour of the leaders. The loan was fully paid during the year.

(ii) Loan 2 : On 6 May 2007, the subsidiary, Qatar District Cooling Company signed a loan agreement with a consortium of banks to provide loan facilities. This loan agreement grants the total facility of US $285,000,000 available for drawdown to repay the existing debt facility in full, fund the completion of the construction of the existing and new project facilities and to pay the interest, fees and other costs and expenses under the finance documents. The loan is repayable in nineteen semi-annual instalments commencing 36 months after the agreement date i.e. May 2010 and ending on November 2020. The loan is secured against the project assets and other tangible of the chilling plants of the company. Additionally, all revenues from the chilling plants and insurance proceeds have been assigned in favour of the lenders.

(iii) 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.

(iv) 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 2007 represents the drawn amount of such corporate facility.

The maturity profiles of the loans are as follows:

	1 year	2-5 years	Over 5 years	Total
31 December 2007				
Loan 1	-	-	-	-
Loan 2	-	94,133,975	315,144,175	409,278,150
Loan 3	23,554,833	117,774,167	-	141,329,000
Loan 4	-	819,562,500	-	819,562,500
Loan 5	213,840	1,104,686	-	1,318,526
	23,768,673	1,032,575,328	315,144,175	1,371,488,176

	1 year	2-5 years	Over 5 years	Total
31 December 2006				
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

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 27.

21. RETENTION PAYABLE

This amount represents the amounts withheld from the payments to contractors. These amounts will be settled upon completion of the maintenance period su

	2007	2006
Current portion	74,286,987	62,599,100
Non-current portion	114,733,347	32,130,395
Retention payable	189,020,334	94,729,495

Included in the above retention payable is an amount of QR 11,424,313 (2006 : QR 32,336,420) payable to a related party, Middle East Dredging Company Q.S.C.

22. EMPLOYEES' END OF SERVICE BENEFITS

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

	2007	2006
Provision as at 1 January	1,625,578	587,994
Acquisition of a subsidiary	-	24,454
Provided during the year	1,934,167	1,218,138
End of service benefits paid	(283,511)	(205,008)
Provision as at 31 December	3,276,234	1,625,578

23. ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006
Accounts payable and other liabilities	137,740,850	155,638,192
Accrued contract costs	584,740,026	339,331,805
Advances received from customers	452,081,819	532,573,499
Amounts due to related parties	316,255	28,097,953
Other accrued expenses	33,295,288	32,033,443
Other payables	55,276,346	36,069,041
	1,263,450,584	1,123,743,933

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

	2007	2006
Middle East Dredging Company Q.S.C.	-	27,961,146
Installation Integrity 2000 LLC	44,928	109,313
National Central Cooling Company	28,851	27,494
Ronautica S.A.	242,476	-
	316,255	28,097,953

24. 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:

	2007	2006
Other related parties:		
Revenue	270,991,014	77,451,965
Associates:		
Management fee received	20,416	36,269
Rent income	2,037,337	388,143
Interest income	1,741,667	2,445,000

Amounts due from and to related parties are disclosed in notes 14 and 23 respectively.

Compensation of key management personnel

The remuneration of key management is as follows:

	2007	2006
Short term benefits	6,252,275	4,892,715
Employees' end of service benefits	303,082	258,023
	6,555,357	5,150,738

Directors remuneration of QR 13,500,000 was proposed (2006 : QR 9,000,000) which is subject to the rectification by the shareholders at the Annual General Meeting.

25. CONTINGENT LIABILITIES

	2007	2006
Bank guarantees	2,437,470	4,160,933
Letters of credit	-	1,922,384

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.

26. CAPITAL COMMITMENTS

	2007	2006
Contractual commitments to contractors/suppliers	5,219,303,758	3,424,246,376

27. FINANCIAL INSTRUMENTS

Credit risk
Exposure to credit risk

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

	Carrying amount	
	2007	2006
Available-for-sale financial	1,108,892,378	642,666,072
Loans and receivables	939,462,264	694,294,094
Cash and cash equivalents	1,418,786,990	1,131,570,247

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

Impairment losses
Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables 2007.

Liquidity risk
The maturity profiles for term loans are disclosed in note 20. Trade and other payable have a maturity periods of less than six months.

Currency risk
The Group has not hedged its currency exposure. However, management is of the opinion that the Group's current exposure to currency risk is minimal as majority of the foreign currency financial assets and liabilities are denominated in currencies that have a fixed exchange rate with its functional currency.

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

	Carrying amount	
	2007	2006
Fixed rate instruments		
Financial assets	1,126,528,384	1,055,474,688
Variable rate instruments		
Financial liabilities	1,371,488,176	478,558,802

28. 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.

29. FINANCE INCOME AND EXPENSE

	2007	2006
Interest income on bank deposits	53,969,652	60,656,241
Dividend income on available-for-sale financial assets	4,253,405	31,201,101
Finance income	**58,223,057**	91,857,342
Interest expense on financial liabilities measured at amortised cost	(5,236,281)	(4,350,281)
Finance expense	**(5,236,281)**	(4,350,281)
Net finance income recognised in profit or loss	**52,986,776**	87,507,061

	2007	2006
Recognised directly in equity		
Foreign currency translation differences for foreign operations	-	460,424
Net change in fair value of available-for-sale financial assets	**370,831,856**	**(240,019,340)**

Qatari Riyals

30. 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 unit that offers different products and serves different markets. The Group's geographical segments are based on the location of the Group's assets. There are no materials assets located outside the State of Qatar that contributed to the consolidated income statement during 2007.

Business segments

	Real Estate Development	Utilities	Total
Revenue			
Sales	1,819,685,612	38,022,678	1,857,708,290
Total revenue	1,819,685,612	38,022,678	1,857,708,290
Cost of sales	(1,520,764,812)	(23,795,844)	(1,544,560,656)
Segment gross profit	298,920,800	14,226,834	313,147,634
Other income	112,754,326	7,560,593	120,314,919
Unallocated other income	-	-	66,494,272
Expenses	-	(9,853,267)	(9,853,267)
Unallocated expenses	-	-	(93,145,737)
Net share of results of associates	-	-	(53,039,893)
Results for the year	-	-	343,917,928
Assets and liabilities			
Segment assets	1,259,479,931	883,644,288	2,143,124,219
Unallocated assets	-	-	3,721,003,668
			5,864,127,887
Segment liabilities	714,234,075	569,285,800	1,283,519,875
Unallocated liabilities	-	-	1,522,766,473
			2,806,286,348

31. COMPARATIVE FIGURES

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net assets or equity. But previous year profit for the year has been reduced by QR. 9,000,000.

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