

**QATAR REAL ESTATE INVESTMENT**  
**COMPANY (Q.S.C.)**  
**DOHA – QATAR**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2006**  
**TOGETHER WITH AUDITOR’S REPORT**

**QATAR REAL ESTATE INVESTMENT COMPANY (Q.S.C)**  
**DOHA – QATAR**

**DECEMBER 31, 2006**

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**QR. 31809**

**AUDITOR'S REPORT**

**To The Shareholders  
Qatar Real Estate Investment Company (Q.S.C.)  
Doha – Qatar**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **Qatar Real Estate Investment Company (Q.S.C.)**, which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Qatar Real Estate Investment Company (Q.S.C.) as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Other Legal and Regulatory Requirements**

Furthermore, in our opinion the financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Law or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

For **Deloitte & Touche**

**Doha – Qatar**  
**February 1, 2007**

**Samer Jaghoub**  
**License No. 88**

**QATAR REAL ESTATE INVESTMENT COMPANY (Q.S.C.)**  
**DOHA - QATAR**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2006**

	Note	2006 (QR'000)	2005 (QR'000)
<b><u>Assets:</u></b>			
Cash at banks	3	410,808	203,996
Accounts receivable and other debit balances	4	193,137	21,451
Finance lease receivable	5	231,348	265,945
Investments	6	910,854	414,382
Investment properties	7	816,407	820,752
Investment in associate company	8	640,756	-
Deferred finance charges	9	93,223	27,078
Projects in progress	10	498,451	141,337
Property and equipment	11	1,890	981
<b>Total Assets</b>		<b><u>3,796,874</u></b>	<b><u>1,895,922</u></b>
<b><u>Liabilities and Equity:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts payable and other credit balances	12	714,093	81,094
Unearned finance income	13	85,874	105,246
Loans	14	1,314,456	314,676
<b>Total Liabilities</b>		<b><u>2,114,423</u></b>	<b><u>501,016</u></b>
<b><u>Equity:</u></b>			
Share capital	23	600,000	500,000
Legal reserve	24	743,430	743,430
General reserve	25	1,025	1,025
Investments revaluation reserve	6	159,458	7,736
Retained earnings		56,088	40,965
Proposed issue of bonus shares	23	120,000	100,000
Proposed Directors remuneration		2,450	1,750
<b>Total Equity</b>		<b><u>1,682,451</u></b>	<b><u>1,394,906</u></b>
<b>Total Liabilities and Equity</b>		<b><u>3,796,874</u></b>	<b><u>1,895,922</u></b>

These financial statements were approved by the Board of Directors on 1 February 2007 and signed on its behalf by:

\_\_\_\_\_  
Khalid Bin Khalifa Bin Jassim Al Thani  
Chairman of The Board and Managing  
Director

\_\_\_\_\_  
Mohammed Misnad Al Misnad  
Chief Executive Officer

**QATAR REAL ESTATE INVESTMENT COMPANY (Q.S.C.)**  
**DOHA - QATAR**

**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	2006 (QR'000)	2005 (QR'000)
Rental income		123,343	110,852
Real estate investment income	15	144,347	273
Finance lease income	16	22,805	17,932
Share of profits from associate	8	19,485	-
Investments income	17	12,186	33,449
Other income	18	5,928	7,748
<b>Total Income</b>		<b>328,094</b>	<b>170,254</b>
Operations Cost	19	(20,744)	(19,961)
Depreciation for investment properties	7	(25,500)	(23,374)
Depreciation for property and equipment	11	(734)	(362)
General and administrative expenses	20	(17,100)	(9,507)
Finance charges		(27,698)	(13,851)
Foreign exchange gain		469	9,321
Impairment loss on investments	21	(99,214)	-
<b>Profit for the Year</b>		<b>137,573</b>	<b>112,520</b>
Adjusted basic and diluted earnings per share	22	2.29	2.00

The accompanying notes are an integral part of these financial statements



**QATAR REAL ESTATE INVESTMENT COMPANY (Q.S.C)**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Share Capital (QR'000)	Legal Reserve (QR'000)	General Reserve (QR'000)	Investments Revaluation Reserve (QR'000)	Retained Earnings (QR'000)	Proposed Issue of Bonus Shares (QR'000)	Proposed Dividend (QR'000)	Proposed Directors Remuneration (QR'000)	Total (QR'000)
<b>Balance at January 1, 2005</b>	<b>250,000</b>	<b>30,930</b>	<b>1,025</b>	<b>7,295</b>	<b>30,195</b>	<b>12,500</b>	<b>50,000</b>	<b>1,260</b>	<b>383,205</b>
Net income for the year 2005	--	--	--	--	112,520	--	--	--	112,520
Issue of bonus shares for the year 2004	12,500	--	--	--	--	(12,500)	--	--	--
Dividends paid for 2004	--	--	--	--	--	--	(50,000)	--	(50,000)
Directors remuneration paid for 2004	--	--	--	--	--	--	--	(1,260)	(1,260)
Increase in capital	237,500	--	--	--	--	--	--	--	237,500
Premium on shares issued	--	712,500	--	--	--	--	--	--	712,500
Movement in fair value reserve for available for sale investments	--	--	--	441	--	--	--	--	441
Proposed issue of bonus shares for the year 2005	--	--	--	--	(100,000)	100,000	--	--	--
Proposed directors remuneration for 2005	--	--	--	--	(1,750)	--	--	1,750	--
<b>Balance at December 31, 2005</b>	<b>500,000</b>	<b>743,430</b>	<b>1,025</b>	<b>7,736</b>	<b>40,965</b>	<b>100,000</b>	<b>--</b>	<b>1,750</b>	<b>1,394,906</b>
Net income for the year 2006	--	--	--	--	137,573	--	--	--	137,573
Issue of bonus shares for the year 2005 <b>23</b>	100,000	--	--	--	--	(100,000)	--	--	--
Directors remuneration paid for 2005	--	--	--	--	--	--	--	(1,750)	(1,750)
Movement in fair value reserve for available for sale investments	--	--	--	151,722	--	--	--	--	151,722
Proposed issue of bonus shares for the year 2006	--	--	--	--	(120,000)	120,000	--	--	--
Proposed directors remuneration for 2006	--	--	--	--	(2,450)	--	--	2,450	--
<b>Balance at December 31, 2006</b>	<b>600,000</b>	<b>743,430</b>	<b>1,025</b>	<b>159,458</b>	<b>56,088</b>	<b>120,000</b>	<b>--</b>	<b>2,450</b>	<b>1,682,451</b>

The accompanying notes are an integral part of these financial statements

**QATAR REAL ESTATE INVESTMENT COMPANY (Q.S.C)**

**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	2006 (QR'000)	2005 (QR'000)
Profit for the year		137,573	112,520
Adjustments for:			
Depreciation for investment properties		25,500	23,374
Depreciation for property and equipment		734	362
Amortization of unearned finance income		(19,372)	(14,522)
Amortization of deferred finance charges		17,868	7,934
Finance charges expense		9,830	5,917
Foreign Exchange gain		(469)	(9,321)
Gain on sale of investments		(1,479)	(31,552)
Gain on sale of investment properties		(104,008)	(273)
Gain on sale of real estate projects		(40,339)	-
Share of profits of associate		(19,485)	-
Impairment loss on investments		99,214	-
		<b>105,567</b>	<b>94,439</b>
(Increase) decrease in accounts receivable and other debit balances		(4,228)	3,496
Increase in accounts payable and other credit balances		38,778	40,090
<b>Cash Generated from Operations</b>		<b>140,117</b>	<b>138,025</b>
Directors remuneration paid		(1,750)	(1,260)
<b>Net Cash from Operating Activities</b>		<b>138,367</b>	<b>136,765</b>
<b>Investing Activities:</b>			
Payments for investments		(379,283)	(463,174)
Payments for investment properties		(93,155)	(106,291)
Advance to contractors		(167,458)	(820)
Acquisition of associate		(304,098)	-
Payments for projects in progress		(437,233)	(206,693)
Acquisition for property and equipment		(1,643)	(368)
Proceeds from finance lease		34,597	17,259
Proceeds on sale of investments		242,775	110,166
Proceeds on sale of investment properties and projects in progress		214,378	1,955
<b>Net Cash Used in Investing Activities</b>		<b>(891,120)</b>	<b>(647,966)</b>
<b>Financing Activities:</b>			
Capital increase		-	237,500
Share premium		-	712,500
Proceeds from borrowings		1,074,592	-
Repayments of borrowings		(74,812)	(266,785)
Dividends paid		-	(50,000)
Finance charges paid		(40,215)	(7,293)
<b>Net Cash from Financing Activities</b>		<b>959,565</b>	<b>625,922</b>
Net increase in cash at banks		206,812	114,721
Cash at banks at beginning of the year		203,996	89,275
<b>Cash at Banks at Year End</b>	<b>3</b>	<b>410,808</b>	<b>203,996</b>

The accompanying notes are an integral part of these financial statements.

## **QATAR REAL ESTATE INVESTMENT COMPANY (Q.S.C)**

### **NOTES TO THE FINANCIAL STATEMENT** **FOR THE YEAR ENDED DECEMBER 31, 2006**

#### **1 Legal Status and Principal Activities:**

Qatar Real Estate Investment Company is a Qatari public shareholding Company founded as per the Amiri Decree no 49, issued on July 3, 1995 and subject to the rules of Qatar Commercial Companies Law. The company is registered under the commercial registration number 18714.

The company's principal activity is the establishment of residential compounds and projects for rental purposes, purchase of land and developing it for resale. The company also deals in management of residential compounds.

#### **2 Adoption of New and Revised International Financial Reporting Standards:**

During the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the company's accounting policies in the following areas that have affected the amounts reported for the current year only:

- Investments classified as at fair value through profit or loss;

The impact of this change is discussed in detail later in this note.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

##### **New Standards:**

- IFRS 7 Financial Instruments : Disclosure
- IFRS 8 Operating Segments

##### **Amendments to Standards:**

- Amendment to IAS 1- Capital Disclosure

##### **New Interpretations:**

- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

Following amendments to IAS 39 *Financial Instruments: Recognition and measurement* in June 2005, the ability of entities to designate any financial asset or financial liability as 'at fair value through profit or loss' (FVTPL) has been limited.

Financial assets that can no longer be designated as at FVTPL are now classified as available-for-sale financial assets and measured at fair value with changes in fair value recognised in equity unless the financial asset is permanently impaired, in which case the decline is taken to the income statement as mentioned in Note 6.

These changes have been applied by the Company in accordance with the transitional provision of IAS 39 with effect from the beginning of the comparative reporting period presented in these financial statements. The amendments result in listed shares held by the company with a carrying amount at December 31, 2005 of QR.81.980 million that were previously designated as FVTPL being reclassified as available-for-sale investments. Although ordinarily the designation of a financial asset as available-for-sale is made on initial recognition, the transitional provision of IAS 39 allow such designation to be made on the date of the de-designation ( January 1, 2005). The profit for the financial year 2006 remained unchanged following the change in accounting policy mentioned above, as the decrease in fair market value of those investments is considered permanent and accordingly, the impairment loss was taken to the income statement. The impairment loss amounted to QR.17.143 million.

### **Significant Accounting Policies:**

#### **Statement of Compliance**

The financial statements of the company have been prepared in accordance with the **International Financial Reporting Standards**

#### **Basis of Preparation**

The financial statements are presented in Qatari Riyals, rounded to the nearest thousand. They are prepared on the historical cost basis except for the measurement of investments at fair value.

#### **Cash at Banks**

Cash at banks comprises of current accounts, call accounts and deposits having a maturity of less than ninety days.

#### **Accounts Receivable**

Receivables are stated net of provision. Provision for doubtful accounts is based on a detailed review by management of the individual balances at the year-end.

## **Finance Lease Receivable**

Leases for which substantially all the risks and rewards of ownership are transferred to the lessee at the end of the lease are classified as finance lease receivable. Finance lease receivable is stated at an amount equal to the present value of the minimum lease payments at the inception of the lease.

Lease payments are apportioned between the finance lease receivable and the unearned finance income so as to achieve a constant rate of return on the remaining balance of the receivable.

## **Investment Properties**

Investment properties comprise of investment in land and buildings in Qatar acquired or constructed to earn rental income from such properties.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line method. No depreciation is calculated on investments in land. The rates of depreciation used are based on the following estimated useful lives of the assets;

Buildings (Investment property)	20 – 33.3 years
Infrastructure	50 years

Gains or losses arising from the retirement or disposal of investment property are recognised as income or loss in the statement of income.

## **Investments**

Available-for-sale investments are financial assets that are not held for trading or held to maturity. Available-for-sale instruments include local shares and private equity investments.

Gains and losses arising from a change in the fair value of available-for-sale investments are recognised directly in equity. When the investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement. When a permanent decline in available-for-sale investments has taken place and there is objective evidence that the asset is permanently impaired, the amount in excess of the cumulative profit that had been recognized directly in equity is recognized in profit and loss even if the financial asset is not derecognized.

Investments where the fair market price is not available are measured at cost, including transaction costs less any impairment losses.

## **Investments in associates**

Associates are those entities in which the Company holds, directly or indirectly, between 20% and 50% of the voting power and exercises significant influence, but not control, over the financial and operating policies. Investments in associates companies are accounted for under the equity method of accounting. The financial statements include the Company's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discounted except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

## **Deferred Finance Charges**

Represent the borrowing cost for acquiring investments financed by loans that will be settled in future periods. Finance costs are deferred at the date of acquisition of investments and systematically expensed over the duration of the loans. Finance costs on projects under construction are capitalized as part of the cost of properties during the construction period.

## **Property and Equipments**

Property and equipments are stated at cost less accumulated depreciation less accumulated impairment. Depreciation is calculated annually on the basis of the straight-line method.

## **Projects in Progress**

Represents projects in the course of construction for the purposes of investment properties or financing lease. Projects in progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Company's accounting policy. Upon the completion of these projects it will be either sold or transferred to the Investment properties or financing lease accordingly.

## **Accounts Payable and Other Credit Balances**

Liabilities are recognised for amounts to be paid in future for goods or services received whether or not billed to the company.

## **Unearned Finance Income**

Unearned finance income is calculated as the difference between the present value of the minimum lease payments under a finance lease and the fair value of the leased property. The unearned finance lease is systematically recognized in income over the duration of the lease.

## **Revenue Recognition**

- Rental income is accounted for on an accrual basis and represents rents received and receivable.
- Real estate investment income is recognized when risks and rewards of the property have been transferred to the buyer.

## **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement in the year when such losses are first determined.

## Foreign Currencies

Transactions in foreign currencies are recorded in Qatari Riyals at the rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates of exchange prevailing at the balance sheet date. All differences arising from exchange are included in the income statement.

## End of service indemnities

End-of-service indemnities are provided in accordance with the Qatari labour law and based on the employees' length of service.

### 3. Cash at Banks:

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
<u>Available cash:</u>		
Current accounts	12,832	28,825
Call accounts	48,966	25,171
Fixed Deposits – short term	136,099	150,000
	<u>197,897</u>	<u>203,996</u>
<u>Restricted cash maintained to meet contractual payables:</u>		
Current accounts	916	-
Fixed Deposits – short term	211,995	-
	<u>212,911</u>	<u>-</u>
<b>Total</b>	<b><u>410,808</u></b>	<b><u>203,996</u></b>

Cash maintained to meet contractual payables is restricted to paying contractors for certain projects that are financed by Sukuk Al Musharakah.

### 4. Accounts Receivable and Other Debit Balances:

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
Rent receivable	5,441	4,062
Advance payments to contractors	168,278	820
Prepayments and other debit balances	19,418	16,569
<b>Total</b>	<b><u>193,137</u></b>	<b><u>21,451</u></b>

### 5. Finance Lease Receivable:

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
Finance lease receivable – Current	<u>31,983</u>	<u>36,626</u>
Finance lease receivable – Non-current		
Between two and five years	148,603	149,772
More than five years	50,762	79,547
	<u>199,365</u>	<u>229,319</u>
<b>Total</b>	<b><u>231,348</u></b>	<b><u>265,945</u></b>

## 6. Investments:

### Available-For-Sale Investments

The carrying amounts of the available-for-sale investments at December 31 were as follows:

	2006 (QR'000)	2005 (QR'000)
<b>Quoted investments:</b>		
Local shares	201,056	207,918
Managed funds at fair value	25,100	-
Total quoted	<u>226,156</u>	<u>207,918</u>
<b>Unquoted investments:</b>		
Investments in unquoted local companies	17,100	17,700
Investments in unquoted foreign companies	5,499	-
Investments under Islamic Wakalah arrangements	-	80,000
Investments in real estate funds	109,764	109,764
Investment in Barwa Al Khor Ltd. *	553,335	-
Provision for impairment of unquoted local company investment	(1,000)	(1,000)
Total unquoted	<u>684,698</u>	<u>206,464</u>
<b>Total available-for-sale investments</b>	<b><u>910,854</u></b>	<b><u>414,382</u></b>

\* The company acquired a 15% investment in Barwa Alkhor Ltd. The investment has been initially accounted for at cost and subsequently re-valued based on the fair market value of the investee. Revaluation differences were included under Investments revaluation reserve in the equity. All other unquoted investments are stated at cost less any impairment.

Upon assessment of available-for-sale investments to their net recoverable amounts, some were found to be permanently impaired. As a result, an impairment charge of QR. 99 million was charged to the income statement.

## 7. Investment Properties:

	Land (QR'000)	Buildings (QR'000)	Furniture, Fixture & Equipment (QR'000)	Total (QR'000)
<b>Cost</b>				
At January 1, 2006	223,614	707,307	34,188	965,109
Additions during the year	89,700	-	3,455	93,155
Transfers from Projects in Progress	-	80,845	-	80,845
Disposals	(152,845)	-	-	(152,845)
At December 31, 2006	<u>160,469</u>	<u>788,152</u>	<u>37,643</u>	<u>986,264</u>
<b>Depreciation</b>				
At January 1, 2006	-	115,584	28,773	144,357
Charge for the year	-	22,855	2,645	25,500
At December 31, 2006	<u>-</u>	<u>138,439</u>	<u>31,418</u>	<u>169,857</u>
<b>Net Book Value</b>				
At December 31, 2006	<u>160,469</u>	<u>649,713</u>	<u>6,225</u>	<u>816,407</u>
At December 31, 2005	<u>223,614</u>	<u>591,723</u>	<u>5,415</u>	<u>820,752</u>

Based on management's estimate, the market value of investment properties exceed their carrying amounts.

## 8. Investment in associate company

During the year the Company invested 50% in ASAS Real estate (ASAS); a Qatari company with limited liability (W.L.L) incorporated and registered on 11 December 2006. The paid up capital of ASAS amounted to QR. 5 million, of which QR. 2.5 million was paid by the Company.

Investment in ASAS has been treated as investment in an associate company, as the management believe; they can only exercise significant influence over the investee.

The partners have made assets contribution to ASAS. The fair value of the contributed assets amounted to QR. 1,415,000 million of which the Company's contribution is QR. 308 million (book value of QR. 131 million)

As a result of this contribution, the company has recognised 50% of the gain from the sale of its assets to the investee company into the income statement.

	2006 (QR'000)	2005 (QR'000)
Asas Real Estate	<u>640,756</u>	<u>-</u>

Details of the Company's associate at 31 December 2006 are as follows:

<u>Name of Associate</u>	<u>Place of Incorporation and Operation</u>	<u>Proportion of Ownership and voting power held</u>	<u>Principal Activity</u>
Asas Real Estate	Doha	50%	Real Estate

Summarised financial information in respect of the Company's associate is set below:

	2006 (QR'000)	2005 (QR'000)
Total assets	1,477,345	-
Total liabilities	<u>(18,375)</u>	<u>-</u>
Net assets	<u>1,458,970</u>	<u>-</u>
Company's share of associate net assets	729,485	-
Less: Unrealized gains on acquiring investment	<u>(88,729)</u>	<u>-</u>
Net Company's share of associate	<u>640,756</u>	<u>-</u>
Total revenue	<u>52,899</u>	<u>-</u>
Net profit for the period	<u>38,970</u>	<u>-</u>
Company's share of associate's profit for the period	<u>19,485</u>	<u>-</u>

## 9. Deferred finance charges:

As disclosed in note 2 deferred finance charges represent borrowing costs, initial up front fee, charges relating to the Sukuk offering and the discounted portion of borrowings due over one year to be amortised over the term of the loans.

## 10. Projects in Progress:

	2006 (QR'000)	2005 (QR'000)
<b>Cost</b>		
At January 1,	141,337	50,506
Additions	453,156	206,693
Transfers to investment properties	(80,845)	(114,180)
Disposals	(15,197)	(1,682)
Net at December 31,	<u>498,451</u>	<u>141,337</u>

The allocation of the projects in progress will be as follows:

	2006 (QR'000)	2005 (QR'000)
Investment Properties	127,049	106,283
Finance Lease	371,402	35,054
<b>Total</b>	<u>498,451</u>	<u>141,337</u>

## 11. Property and equipment:

	Porta Cabins and Fences (QR'000)	Furniture and office equipment (QR'000)	Vehicles (QR'000)	Total (QR'000)
<b>Cost</b>				
At January 1, 2006	157	1,058	1,260	2,475
Additions during the year	35	939	669	1,643
At December 31, 2006	<u>192</u>	<u>1,997</u>	<u>1,929</u>	<u>4,118</u>
<b>Depreciation</b>				
At January 1, 2006	114	615	765	1,494
Charge for the year	15	397	322	734
At December 31, 2006	<u>129</u>	<u>1,012</u>	<u>1,087</u>	<u>2,228</u>
<b>Net Book Value</b>				
At December 31, 2006	<u>63</u>	<u>985</u>	<u>842</u>	<u>1,890</u>
At December 31, 2005	<u>43</u>	<u>443</u>	<u>495</u>	<u>981</u>
Depreciation rates	20%	20%	20%	

## 12. Accounts Payable and Other Credit Balances:

	2006 (QR'000)	2005 (QR'000)
<b><u>Current</u></b>		
Contractors	33,417	16,836
Retentions	47,509	15,472
Instalments payable *	235,000	-
Dividends payable	7,911	8,229
Other payables and accruals	90,256	40,557
	<u>414,093</u>	<u>81,094</u>
<b><u>Non-current</u></b>		
Instalments payable *	<u>300,000</u>	<u>-</u>
<b>Total</b>	<b><u>714,093</u></b>	<b><u>81,094</u></b>

\* Instalments payable represent payments due for the acquisition of the associate and available for sale investments.

The company discounted its instalments payable relating to non-current borrowing using an effective interest rate of 6%.

## 13. Unearned Finance Income:

	2006 (QR'000)	2005 (QR'000)
Unearned finance income – Current	17,921	19,373
Unearned finance income – Non current	67,953	85,873
<b>Total</b>	<b><u>85,874</u></b>	<b><u>105,246</u></b>

## 14. Loans:

	2006 (QR'000)	2005 (QR'000)
Estisna financing no. (1)	25,505	40,440
Estisna financing no. (2)	93,918	107,220
Murabaha financing	624,726	99,581
Ijjarah financing facilities	23,557	67,435
Sukuk Al Musharakah	546,750	--
	<b><u>1,314,456</u></b>	<b><u>314,676</u></b>

- The Estisna financing no. (1) Of (Islamic Dinar) ID 16.3 million was drawn during the year 1999/2000 and is repayable in equal semi-annual instalments of ID 1.5 million each. The last instalment is due in March 2008.

- The Estisna financing no. (2) Of (Islamic Dinar) ID 20.9 million was drawn during the year 2002/2003 and is repayable in equal semi-annual instalments of ID 1.7 million each. The last instalment is due in July 2011.

- The Murabaha Financing facilities amounting to USD 199 million of which USD 54 million was drawn during 2004 and USD 145 million in 2006. The outstanding balance of the USD 54 million as of December 31, 2006 is repayable in programmed semi-annual instalments up to April 2011 and the outstanding balance of the USD 145 million is repayable in 2007.

- The Ijjarah financing facilities amounting to QR 160 million represents financing facilities with local Islamic banks and is repayable over a period of 4 to 6 years.

- Sukuk Al Musharakah financing facilities amounting to USD 150 million was drawn during 2006. The remaining balance will be drawn in two parts: USD 50 million and USD 70 million during February of 2007 and May of 2007 respectively. The total amount of USD 270 million is payable in equal quarterly-instalments as of November 2008 until August 2016.

**The terms of the loans are as the following:**

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
Loans - Current	604,065	78,633
Loans - Non current	710,391	236,043
<b>Total</b>	<b><u>1,314,456</u></b>	<b><u>314,676</u></b>

**15. Real Estate Investment Income:**

Real estate investment income represents income from the sale of properties.

**16. Finance Lease Income:**

This represents lease income net of expenses for lease and sublease deals entered into by the Company with other local companies. Almost 98% of the total finance lease income is generated from one client, Qatar Petroleum.

**17. Investments Income:**

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
Income on sale of investments	2,095	31,552
Tatheer provision	-	(1,934)
Other investment income	7,188	2,826
Real estate funds income	2,903	1,005
<b>Total</b>	<b><u>12,186</u></b>	<b><u>33,449</u></b>

**18. Other Income:**

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
Profit on bank deposits	5,663	7,590
Miscellaneous income	265	158
<b>Total</b>	<b><u>5,928</u></b>	<b><u>7,748</u></b>

## 19. Operations cost:

	2006 (QR'000)	2005 (QR'000)
Staff cost	2,667	1,270
Utilities	5,790	5,635
Repair and maintenance	7,975	10,632
Others	4,312	2,424
<b>Total</b>	<b>20,744</b>	<b>19,961</b>

## 20. General and Administrative Expenses:

	2006 (QR'000)	2005 (QR'000)
Staff cost	11,528	6,515
Others	5,572	2,992
<b>Total</b>	<b>17,100</b>	<b>9,507</b>

## 21. Impairment on investments

Due to the permanent decline in the Doha Securities Market over an extended period of time during and before 2006, the Board of Directors of the Company decided to recognize the impairment losses that were previously recognized under equity into the income statement.

## 22. Earning Per Share:

Earning per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares during the year.

## 23. Share Capital:

The shareholders in their extraordinary General Assembly meeting held on March 29, 2006 approved to increase the company's authorized share capital to QR. 600,000,000 with nominal value of QR. 10 per share through distribution of bonus shares amounting to QR. 100,000,000.

### Proposed issue of bonus shares

The Board of Directors decided in their meeting held on January 17, 2007 to propose to the forthcoming Extraordinary General Assembly to approve to increase the Company's authorized share capital to QR.720,000,000 of QR. 10 per share through distribution of bonus shares of one share for every five shares held amounting to QR.120,000,000.

## 24. Legal Reserve:

Legal reserve is to be computed in accordance with the provisions of the Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit for the year. This reserve is to be maintained until it equals 50% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Commercial Companies' law. Since the company exceeded the 50% limit, no deduction has been made for this year or previous year. Amounts in excess of nominal values of newly issued shares approved by shareholders are also allocated to legal reserve as per article 192 of the Companies law.

## 25. General Reserve:

In accordance with Articles of Association of the Company the general assembly may allocate a portion of the net profit to a general reserve. No transfer has been made to general reserve during 2006 and 2005. This reserve is freely distributable.

## 26. Key Sources of estimation uncertainty:

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### Impairment of receivables

An estimate of the uncollectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant but which are past due are assessed collectively and a provision applied according to the length of time past due based on historical recovery rates.

At the balance sheet date, gross finance lease receivable was QR. 231 million (2005: 266 million) and the provision for doubtful debts was Nil (2005: Nil). At the same date, gross rent receivable was QR. 5 million (2005: 4 million) and the provision for doubtful debts was QR. 0.2 million (2005: 0.2). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

## 27. Compensation of Key Management Personnel:

The remuneration of key management personnel during the year was as follows:

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
	----- <b>QR.</b>	----- <b>QR.</b>
Short terms benefits	2,685	2,299
Post-employment benefits	112	169
	----- <b>2,797</b>	----- <b>2,468</b>
	=====	=====

In addition to the above amounts the board of directors' are also given remuneration subject to shareholders' approval as disclosed in the statement of changes in equity proposed for 2006 QR. 2,450 million (2005:1,750 million).

## 28. Capital Commitments:

	<b>2006</b> <b>(QR'000)</b>	<b>2005</b> <b>(QR'000)</b>
Projects under construction	<u>2,441,225</u>	<u>2,200,000</u>

## 29. Segment Information:

The company is organised into two business segments, Lease income (Rental operational and Finance lease) and Real Estate Investment income.

Segmental information is shown under the Statement of Income.

The company operates geographically only in the State of Qatar.

## 30. Contingent Liabilities:

	2006 (QR'000)	2005 (QR'000)
Banks Guarantees	600	8,800
Guarantee cheque issued by the company for a third party	<u>-</u>	<u>723</u>

## 31. Financial Instruments

The financial assets of the company include balances with banks, accounts receivable and investments. The financial liabilities of the company include accounts payable and other payables and due to banks.

## 32. Risk Management:

### a) Credit Risk Exposure

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist primarily of bank balance and accounts receivable. Credit risk on bank balance is limited as it is placed with banks having good credit rating. Credit risk on accounts receivable is limited as these are shown after review of their recoverability and are stated net of provision for doubtful receivables.

### b) Financing Risk

The company's financing contractual arrangements are based on the Islamic Shari'a such as, Murabaha, Sukuk, Ijarah and Estisna principles as outlined in note 14. These financing arrangements between the company and the issuer may be affected by the financial, political and general economic conditions prevailing from time to time in Qatar and/or the Middle East generally. The company limits financing risk by monitoring changes in the issuer's financial position and financing costs.

### c) Fair Values of Financial Assets and Liabilities

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties transacting at an "arm's length". The accounting convention under which the financial statements have been prepared is disclosed in Note 2. The carrying value of the Company's financial instruments as recorded could therefore be different from their fair value. However, in the management's opinion, the fair values of the Company's financial assets and liabilities approximate to their carrying amounts.

#### **d) Market Risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local market. In addition the company monitors key factors including analysis of operational and financial performance of investees.

#### **33. Comparative Figures:**

Certain corresponding amounts have been reclassified to conform to the presentation adopted in the current year's financial statements.