BARWA REAL ESTATE COMPANY Q.S.C.
DOHA – QATAR
CONSOLIDATED FINANCIAL
STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE
YEAR ENDED DECEMBER 31, 2007

BARWA REAL ESTATE COMPANY Q.S.C.
DOHA- QATAR

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Barwa Real Estate Company QSC as of December 31, 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company and tat we are not aware of any contravention by the Company of the Article of Association, the Qatar Commercial Companies Law No. 5 0f 2002 during the financial period that would materially affect its activities or its financial position.

For **Grant Thornton – Al Eid & Co**

Rustom M. Shadid
(License No. 67)

Doha
24 February 2008

BARWA REAL ESTATE CO Q.S.C.
CONSOLIDATED BALANCE SHEET
AT DECEMER 31, 2007

	Notes	2007 QR'000	2006 QR'000
ASSETS			
Cash at banks and financial institutions	3	769,925	224,422
Murabaha investments	4	1,059,127	315,599
Investments held for trading		6,514	6,000
Finance lease receivables	5	1,130,312	1,646,859
Advances and other receivables	7	5,841,753	1,415,203
Properties held for sale		375,749	74,217
Investments available for sale	6	574,342	558,812
Investment in associates	8.2	665,125	62,500
Land under development	10	945,249	844,636
Projects in progress	11	2,574,574	145,561
Investment properties	9	1,849,261	- 0 -
Intangible assets		184,324	- 0 -
Property and equipment	12	21,535	15,343
TOTAL ASSETS		15,997,792	5,309,152
LIABILITIES AND EQUITY			
Liabilities			
Finance lease payable	13	1,213,347	1,123,827
Accounts payable and other payables	14	2,349,573	1,302,187
Employees' end of service benefits	15	700	362
Obligation under Islamic Finance	16	9,141,981	419,374
Total liabilities		12,705,601	2,845,750
Equity			
Share capital	19	2,000,000	2,000,000
Legal reserve	20	98,222	45,253
Foreign currency translation reserve	21	42,972	- 0 -
Fair value reserve	22	18,773	10,869
Retained earnings		882,504	407,280
Total equity attributable to equity holders of the parent		3,042,471	2,463,402
Minority interest		249,718	- 0 -
Total equity		3,292,189	2,463,402
TOTAL LIABILITIES AND EQUITY		15,997,790	5,309,152

The financial statements were authorized for issue in accordance with a resolution of the directors on 24 February 2008

Ghanim Bin Saad Al-Saad
Chairman and Managing Director

Ali Mohammed Al-Obaidly
Board Member

The attached notes 1 to 29 form part of these consolidated financial statements.

BARWA REAL ESTATE COMPANY Q.S.C.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2007

	Notes	*Year ended December31, 2007 QR'000*	*From January19,2006 to December 31, 2006 QR'000*
Gain from sale of properties		**215,497**	447,035
Rental income		**68,158**	- 0 -
Income from murabaha and deposits	18	**83,092**	34,516
Net gain from fair value adjustment on investment property	9	**147,873**	- 0 -
Share of results of associates	8.2	**424,182**	- 0 -
Net gain from Islamic derivatives		**26,570**	- 0 -
Finance income	18	**98,688**	66,851
Dividend income	18	**42,363**	- 0 -
Other income		**2,949**	5,937
Total revenue		**1,109,372**	554,339
General and administrative expenses	17	**(180,842)**	(37,291)
Finance costs	18	**(361,788)**	(63,974)
Depreciation and amortization	12	**(4,918)**	(541)
Net profit for the year		**561,824**	**452,533**
Minority interests		**(32,131)**	- 0 -
Net profit attributable to equity holders of the parent		**529,694**	452,533
Basic earnings per share	23	**QR 2.64**	QR 2.26

The attached notes 1 to 29 form part of these consolidated financial statements.

BARWA REAL ESTATE CO Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

	Equity attributable to equity holders of the parent						*Minority interests*	*Total*
	Share capital	*Legal reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*TOTAL*		
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
At January 19, 2006								
Issue of share capital	2,000,000	- 0 -	- 0 -	- 0 -	- 0 -	2,000,000	- 0 -	2,000,000
Net profit for the period	- 0 -	- 0 -	- 0 -	- 0 -	452,533	452,533	- 0 -	452,533
Transferred to statutory reserve	- 0 -	45,253	- 0 -	- 0 -	(45,253)	-0-	- 0 -	-0-
Net movement in fair value reserve	- 0 -	-	10,869	- 0 -	-0-	10,869	- 0 -	10,869
At December 31, 2006	2,000,000	45,253	10,869	- 0 -	407,280	2,463,402	- 0 -	2,463,402
Directors' remuneration paid	- 0 -	- 0 -	- 0 -	- 0 -	(1,500)	(1,500)	- 0 -	(1,500)
Net profit for the year	- 0 -	- 0 -	- 0 -	- 0 -	529,693	529,693	32,131	561,824
Contribution from minority shareholders	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	217,587	217,587
Net movement in fair value reserve	- 0 -	- 0 -	7,904	- 0 -	- 0 -	7,904	- 0 -	7,904
Transfer to legal reserve	- 0 -	52,969	- 0 -	- 0 -	(52,969)	- 0 -	- 0 -	- 0 -
Foreign currency translation	- 0 -	- 0 -	- 0 -	42,972	- 0 -	42,972	- 0 -	42,972
At December 31, 2007	**2,000,000**	**98,222**	**18,773**	**42,972**	**885,504**	**3,042,471**	**249,718**	**3,292,189**
Notes	**19**	**20**	**22**	**21**				

The attached notes 1 to 29 form part of these consolidated financial statements.

BARWA REAL ESTATE COMPANY Q.S.C.
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED DECEMBER 31, 2007

	Year ended December 31, 2007 QR'000	*From January 19,2006 to December 31, 2006 QR'000*
OPERATING ACTIVITIES		
Profit for the year / period	**561,824**	452,533
Adjustments for:		
Depreciation and amortization	**5,156**	541
Loss on sale of property and equipment	**588**	- 0 -
Unrealized gain on investment held for trading	**(514)**	- 0 -
Net gain from fair value adjustment on investment property	**(147,873)**	- 0 -
Share of results from associates	**(424,182)**	- 0 -
Provision for employee end of service benefits	**338**	362
	(4,663)	453,436
CHANGES IN WORKING CAPITAL		
Properties held for sale	**(301,532)**	(74,217)
Increase in advance and other receivable	**(4,426,550)**	(555,025)
Increase in land under development	**(100,613)**	(844,636)
Increase /(Decrease) in finance lease receivable	**516,547**	(2,433,951)
Increase in finance lease payable	**89,520**	1,543,201
Increase in accounts payable and other payables	**1,047,386**	809,513
Net Cash Used in Operating Activities	**(3,179,905)**	(1,101,679)
INVESTING ACTIVITIES		
Paid for purchase of property and equipments	**(11,936)**	(15,670)
Paid for projects in progress	**(2,713,184)**	(145,561)
Paid for acquisition of associates	**(178,443)**	(88,708)
Paid for purchase of available for sale investments	**(15,530)**	(532,604)
Paid for purchase of held for trading investments	**- 0 -**	(6,000)
Paid for intangible assets	**(184,324)**	- 0 -
Paid for acquisition for investment property	**(1,417,217)**	- 0 -
Paid for Murabaha investment	**(743,528)**	(315,599)
Net cash used in investing activities	**(5,264,162)**	(1,104,142)
FINANCING ACTIVITIES		
Share capital issued	**- 0 -**	2,000,000
Increase in obligation under Islamic finance	**8,722,607**	419,374
Director remuneration paid	**(1,500)**	- 0 -
Capital introduced by minority shareholders	**217,587**	- 0 -
Net cash from financing activities	**8,938,694**	2,419,374
Net increase in cash during the year / period	**494,627**	213,553
Add: translation reserve movement during the year	**42,972**	- 0 -
Fair value reserve	**7,904**	10,869
Cash equivalents at the beginning of the year / period	**224,422**	- 0 -
Cash and cash equivalents at the end of the year / period	**769,925**	224,422

The attached notes 1 to 29 form part of these consolidated financial statements.

1 ACTIVITIES

Barwa Real Estate Company Q.S.C. ("the Company") was incorporated in the State of Qatar on January 19, 2006 as a Joint Stock Company in accordance with resolution number 170 of 2005 issued on November 15, 2005 by the Ministry of Economy and Commerce. The Company and its subsidiaries constitute the Company ("the Company"). The company's registered office is at PO Box 27777, Doha, State of Qatar. The shares of the company are traded on the Doha Securities Market.

Qatari Diar Real Estate Investment Company owns 45% of the Company's issued share capital. The Company is considered a subsidiary of Qatari Diar Real Estate Investment Company, an entity wholly owned by the Qatar Investment Authority, by virtue of control exercised through the Board of Directors.
The principal activities of the Company are Real Estate and related banking and investment activities. These activities are carried out in compliance with Islamic Sharia.

The list of subsidiaries of the company is set out below:

Name of subsidiary	*Country of incorporation*	*Principal activities*	*Ownership Interest (%)*
Barwa Luxembourg	Luxembourg	Holding company	100%
Barwa Al Qassar	Qatar	Real Estate	100%
Barwa City	Qatar	Real Estate	100%
Barwa West Bay	Qatar	Real Estate	100%
Barwa Malta	Malta	Real Estate	100%
Barwa Al Doha	Qatar	Real Estate	50 %
Barwa Ain Khaled	Qatar	Real Estate	100%
Hasaad Barwa	Qatar	Agriculture	50%
Barwa International	Qatar	Investment	100%
Barwa Al Rayyan	Qatar	Real Estate	70%
Nozol Qatar	Qatar	Hospitality	50%
Barwa Cooling	Qatar	Manufacturing	100%
Barwa Real Estate Bahrain	Bahrain	Real Estate	100%
Barwa Al Sadd	Qatar	Real Estate	100%
Gulf Company for Urban Development	Egypt	Real Estate	100%
Barwa Egypt Real Estate	Egypt	Real Estate	100%
Simisma Real Estate Services	Qatar	Real Estate	100%
Barwa Hotels & Resorts	Qatar	Hospitality	100%
Barwa Capital (UK)	UK	Investment	60%
Guidance Hotel Investment Co. B.S.C.C.	Bahrain	Investment	90%

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and applicable requirements of the Qatari Commercial Companies' Law.

The consolidated financial statements have been presented in Qatari Riyal, which is the functional currency of the Company. All values are rounded to the nearest thousand ('000) except when otherwise indicated.
The consolidated financial statements are prepared using the measurement bases specified by IFRS for each type of asset, liability income and expense. The measurement bases are more fully described in the accounting policies below.

2.2 BASIS OF CONSOLIDATION

Subsidiary companies

Subsidiaries are all entitles over which the Company has the power to control the financial and operating policies, which is obtained and exercised through voting rights. control. The consolidated financial statements of the Company consist of the financial statements of Barwa Real Estate Co Q.S.C. and its subsidiaries. All material balances and transactions between the subsidiaries are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Minority interest represents the interest in subsidiaries, not held by the Company. Transactions with minority interests are treated as transactions with parties external to the Company.

Business combinations

Business combinations are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Company accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Associated companies

Associates are all entities over which the Company has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Company. Changes resulting from the profit or loss generated by the associate are reported under "Share of results of associate" in the income statement and therefore affect the net results of the Company.

Acquired investments in associates are also subject to the purchase method as explained under "Business Combination" above. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the period ended December 31, 2006 except as stated below.

2.3.1 Overall considerations

The Company has adopted for the first time IFRS 7 - "*Financial Instruments: Disclosures*" - in its 2007 consolidated financial statements. The Standard has been applied retrospectively, with amendments to the 2006 accounts and their presentation, where applicable. The 2006 comparatives contained in these consolidated financial statements therefore differ from those published in the financial statements for the year ended December 31, 2006.

Other Standards or Interpretations relevant for IFRS financial statements did not become effective during the current financial year.

Significant effects on current, prior or future periods arising from the first-time application of the standard mentioned above in respect of presentation, recognition and measurement of accounts are described in the relevant notes to the consolidated financial statements. An overview of Standards and Interpretations that will become mandatory for the Company in future periods is illustrated in note 2.4

2.3.2 Amendment of IAS 1 "Presentation of Financial Statements'

In accordance with the amendment of IAS 1 - "Presentation of Financial Statements" – The Company now reports on it capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in IAS 1 can be found in note 2.3.3

2.3.3 Adoption of IFRS 7 "Financial Instruments: Disclosures"

IFRS 7 "Financial Instruments: Disclosures" is mandatory for reporting periods beginning on or after 1 January 2007. The new Standard replaces and amends disclosure requirements previously set out in IAS 32 – "Financial Instruments: Presentation and Disclosures" - and has been adopted by the Company in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, Barwa Real Estate's consolidated financial statements now feature:

a) a Sensitivity Analysis, to explain the Company market risk exposure in regards to its financial instruments, and
b) a Maturity Analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

2.4 STANDARDS AND INTERPRETATIONS NOT YET APPLIED BY THE COMPANY

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied by Barwa Real Estate Company.

The standards and interpretations not yet applied are illustrated as follows:

Standard number	*Interpretation Number*	*Description*	*Applicable on financial periods commencing on*
IAS 19	IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.	1 January 2008
	IFRIC 13	Customer Loyalty Programmes	1 July 2008
	IFRIC 12	Service Concession Arrangements	1 January 2008
IFRS 2	IFRIC 11	Group and Treasury Share Transactions	1 March 2007
IFRS 3		Business Combinations (revised 2008)	1 July 2009
IFRS 8		Operating segments	1 January 2009
IAS 1		Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 27		Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009
IAS 28		Investment in Associates (Revised 2008)	1 July 2009
IAS 31		Interests in Joint Ventures (Revised 2008)	1 July 2009
IAS 32		Financial Instruments: Presentation (Revised 2008)	1 July 2009

Based on the Company's current business model and accounting policies, management does not expect material impacts on the Company's consolidated financial statements when the interpretations and standards become effective. The Company does not intend to adopt any of these pronouncements early.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

All accounting estimates and assumptions that are used in preparing the consolidated financial statements are consistent with the Company's latest approved budgeted forecast where applicable. Judgments are based on the information available at each balance sheet date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those estimates.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash at bank and financial institutions

For the purpose of the consolidated cash flow statement, cash at banks and financial institutions consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Finance lease receivable

Lease for which substantially all the risks and rewards of ownership are transferred to the lessee are classified as finance lease receivable. Finance lease receivable is stated at an amount equal to the present value of the minimum lease payment at the inception of the lease. The difference between the gross finance lease receivable and the present value of the receivable is recognized as deferred finance income.

Lease payments are apportioned between the finance lease receivables and the deferred finance income, so as to achieve a constant rate of return on the remaining balance of the receivable. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant rate of return.

Financial assets

Financial assets other than hedging instruments are divided into the following categories:

a) loans and receivables

b) financial assets at fair value through profit or loss

c) available-for-sale financial assets

d) held-to-maturity investments

Financial assets are assigned to the different categories on initial recognition, depending on characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in the income statement or directly in equity. A summary of the Company's financial assets by category is given in note 27(c).

Generally, the Company recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date.

All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the income statement. Barwa Real Estate's trade and most other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics, if any. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. However, no other type of the Company financial instruments currently falls into this category.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Company available-for-sale financial assets include quoted and unquoted securities.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Projects in progress

Properties acquired, constructed or in the course of construction for sale or lease are classified as projects in progress. Unsold properties are stated at the lower of cost or net realizable value. Properties in the course of development for sale are stated at cost plus attributable profit/loss less progress billings. The cost of projects in progress includes, where applicable, the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, cost is eliminated from projects in progress.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss as "Net gain from fair value adjustment on investment property" in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

Properties held for sale
If the Company intends to sell a non-current asset or groups of assets, and if the sale is highly probable to be carried out within 12 months, the asset or group of assets is classified as 'held for sale' and presented as such on the balance sheet.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts and their fair value less costs to sell, immediately prior to their classification as held for sale. They are not subject to depreciation or amortization.

Property and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Leasehold improvements	- 3 years
Motor vehicles	- 5 years
Furniture & Fixture	- 3-7 years
Computers and software	- 3 years

No depreciation is charged on capital work in progress. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of fixed asset 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 fixed asset. All other expenditure is recognised in the income statement as the expense is incurred.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (Goodwill)
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Negative goodwill is recognized immediately after acquisition in the income statement. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Cash flow hedge accounting
A specific accounting treatment is required for derivatives that are designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. All other derivative financial instruments are accounted for at fair value through profit or loss.

For the reporting periods under review, Barwa Real Estate has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding purchase orders denominated in Euro. For the periods under review this results in the recognition of financial assets and liabilities, which are presented within "short-term financial assets" or "short-term financial liabilities", respectively, in the balance sheet.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are reported in equity and "recycled" when the hedging relationship ceases (normally when the hedged transaction occurs). At the time the hedged item affects profit or loss, any gain previously recognised in equity is released to the income statement. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in equity are included in the initial measurement of the hedged item. If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in equity is immediately transferred to the income statement. Any ineffectiveness in the hedge relationship is charged immediately to the income statement.

All derivative financial instruments used for hedge accounting are initially recognised at fair value on settlement date and subsequently reported at fair value in the balance sheet.

Impairment
Property and equipment and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;

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

(c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

No impairment losses have been recognised during the year ended December 31, 2007 (2006 – nil).

Accounts payable and other liabilities
Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

Finance lease payable
In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised.

Subsequent accounting for assets held under finance lease agreements, depreciation methods and useful lives, correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

Employees' end of service benefits
The Company provides for end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its Qatari employees, the Company makes contributions to a pension fund established by the Qatari General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

End of service benefit relating to employees of foreign subsidiaries are provided for in accordance with applicable foreign legal requirements.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortized cost using the effective interest rate method. A summary of the Company's financial liabilities by category is given in note 27(c).

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of The Company's management.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.
In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations

The consolidated financial statements are presented in Qatari Riyals ("QR") which is the functional currency of the parent Company. Each entity 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 recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. 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.

As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than "QR" are translated into "QR" 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 differences arising on the translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that entity is recognised in the income statement.

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.

For investments traded in an active market, fair value is determined by reference to quoted market last bid prices at the close of business on the balance sheet date.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the 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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Provided it is probable that the economic benefit will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the consolidated income statement as follows:

Sale of property
Revenue on sale of plots of land is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
- The Company's receivable is not subject to future subordination;
- The Company has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Revenue on sale of condominiums
Revenue on sale of condominiums is recognized on the basis of percentage of completion as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Company being unable to fulfill its contractual obligations for this reason is remote; and
- The aggregate sales proceeds and costs can be reasonably measured.

Lease of investment properties
Rental income from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Dividend income
Dividend income is recognized when the right to receive the dividend is established.

Murabaha profit income
Murabaha profit income is recognized as the profit accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 CASH AT BANKS AND FINANCIAL INSTITUTIONS

Cash at banks and financial institutions earn profit at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn profit at the respective short-term deposit rates. Cash at bank and financial institutions is considered to be current.

Cash and cash equivalents include margin money amounting to QR 376,578 (2006 – nil) held by banks against a number of bank guarantees currently in issue. Refer to note 24 for further disclosures on bank guarantees in issue at December 31, 2007.

4 MURABAHA AND WAKALAH INVESTMENTS

The Company invested part of its surplus funds in Sharia compliant investment products. During the year the Company's Sharia compliant investments earned profits ranging between 5.6% and 10% per annum.

5 FINANCE LEASE RECEIVABLES

The Company enters into finance lease arrangements for certain of its land sales. All leases are denominated in Qatari Riyal. Ownership title of the land is passed to the purchaser at the commencement of the lease. The average term of finance leases entered into is 5 years.

December 31, 2007	*Within 1 year QR'000*	*1 to 5 years QR'000*	*Total QR'000*
Finance lease receivable	330,000	985,000	1,315,000
Deferred finance income	(72,114)	(112,574)	(184,688)
Present value of minimum lease payments	257,886	872,426	1,130,312

December 31, 2006	*Within 1 year QR'000*	*1 to 5 years QR'000*	*Total QR'000*
Finance lease receivable	375,000	1,615,000	1,990,000
Deferred finance income	(110,595)	(232,546)	(343,141)
Present value of minimum lease payments	264,405	1,382,454	1,646,859

6. AVAILABLE FOR SALE INVESTMENTS

	2007 *QR'000*	*2006* *QR'000*
Available for sale investments – quoted	**72,995**	88,618
Available for sale investments – unquoted	**501,347**	470,194
	574,342	558,812

The quoted securities are carried at fair value, determined by reference to their quoted bit prices at the balance sheet date. Unquoted investments are carried at cost as no reliable measure of fair value is available.

7. ADVANCES AND OTHER RECEIVABLES

	2007 *QR'000*	*2006* *QR'000*
Advance payments – projects in progress	**4,028,966**	529,905
Due from related parties	**1,512,651**	860,392
Accrued income	**34,754**	-0-
Prepaid expenses	**48,610**	-0-
Trade receivables	**133,301**	-0-
Other receivables	**83,471**	24,906
	5,841,753	1,415,203
Advances and other receivables are further analyzed as follows:		
Current:	**300,136**	24,906
Non-current:	**5,541,617**	1,390,297
	5,841,753	1,415,203

The carrying amount of advances and other receivables is considered a reasonable approximation of fair value.

8 BASIS OF CONSOLIDATION

8.1 Acquisition of Barwa Luxembourg Sarl

On January 1, 2007, the Company acquired 100% of the equity instruments of Barwa Luxembourg Sarl, an unlisted company based in Luxembourg.

The Company acquired identifiable assets and liabilities of Barwa Luxembourg Sarl at their carrying values. The net assets of Barwa Luxembourg Sarl as at the date of acquisition were QR 235,726 thousand. An amount of QR 165,111thousand has been recognized as goodwill being the difference between the purchase consideration paid and the net assets as at the date of acquisition. The purchase price was settled in cash.

The goodwill of QR 165,111 thousand comprises the fair value of expected synergies arising from the acquisition, which is not separately recognized.

The allocation of the purchase price to the assets and liabilities of Barwa Luxembourg Sarl was completed in 2007. The amounts recognised for each class of the acquiree's assets and liabilities recognised at the acquisition date were as follows:

	QR '000		*QR '000*
Non-current assets:		*Non-current liabilities*	
Goodwill	96,089		
Investment property	1,110,855	Obligation under islamic finance	880,873
	1,206,944		880,873
Current assets:			
Trade and other receivables	99,050	Trade payables	160,993
Cash and cash equivalents	14,937	Other payable	34,002
	113,987		194,995
Total assets	1,320,931	**Total liabilities**	1,075,868

Barwa Luxembourg Sarl contributed net profit amounting to QR 67,526 thousand for the nine months period ended September 30, 2007 to the consolidated results of the Company.

The consolidated figures of Barwa Luxembourg Sarl represent its balances and results drawn up to September 30, 2007.

The non-coterminous year-ends between the Company and Barwa Luxembourg Sarl was to ensure the timely consolidation and reporting of the Company's year-end results.

8 BASIS OF CONSOLIDATION (continued)

8.2 INVESTMENT IN ASSOCIATES

The Company has the following investments in associates:

Name of associated company	*Country of incorporation*	*Ownership 2007 (%)*	*Ownership 2006 (%)*	2007 QR'000	*2006 QR'000*
Barwa Al Khor Co. W.LL	Qatar	**40%**	25%	**491,981**	62,500
Barwa Al Baraha W.L.L.	Qatar	**32%**	-0-	**16,000**	-0-
Nozol Holding – Bahrain	Bahrain	**39%**	-0-	**155,611**	-0-
Ottoman – Turkey	Turkey	**50%**	-0-	**1,533**	-0-
				665,125	62,500

Further analysis of movements is as follows:	2007 QR'000	*2006 QR'000*
Balance at the beginning of the year / period	**62,500**	-0-
Purchase of 25% share of Barwa Al Khour W.L.L.	**-0-**	62,500
Purchase of additional share of 15% of Barwa Al Khour W.L.L.	**5,299**	-0-
Purchase of 32% share in Barwa Al Baraha W.L.L.	**16,000**	-0-
Purchase of 39% share of Nozol Holding - Bahrain	**155,611**	-0-
Purchase of 50% share of Ottoman – Turkey	**1,533**	-0-
Share of results of associates	**424,182**	-0-
Balance at the end of the year / period	**665,125**	62,500

All investments in associates are unquoted and non-current.

All transfers of funds from the associates to the Company i.e. distribution of cash dividends, are subject to the prior approval of at least 51% of all shareholders of the respective associate.

9 INVESTMENT PROPERTIES

	2007 QR'000	*2006* *QR'000*
Balance at the beginning of the year / period	**-0-**	-0-
Additions – separately acquired	**169,531**	-0-
Additions - through business combination	**1,247,686**	-0-
Transfer from project in progress during the year	**284,171**	-0-
Net gain from fair value adjustments	**147,873**	-0-
Balance at the end of the year / period	**1,849,261**	-0-

All investment properties are carried at fair value at December 31, 2007.

The investment properties are located in the State of Qatar, France and the UK.

The fair value of investment properties has been independently assessed by external professional valuers. The investment properties are entirely classified as non-current.

10. LANDS UNDER DEVELOPMENT

This represents two plots of land owned by two of the Company's subsidiaries.

11. PROJECTS IN PROGRESS

	2007 QR '000			*2006 QR '000*		
	Land	**Project cost**	**Total**	*Land*	*Project cost*	*Total*
Beginning balance	**-0-**	**145,560**	**145,560**	-0-	-0-	-0-
Transferred from land under development	**512,493**	**-0-**	**512,493**	-0-	-0-	-0-
Addition during the year/period	**-0-**	**4,312,471**	**4,312,471**	-0-	145,560	145,560
Transferred to investment properties	**-0-**	**(284,171)**	**(284,171)**	-0-	-0-	-0-
Disposal during the year	**-0-**	**(2,111,779)**	**(2,111,779)**	-0-	-0-	-0-
	512,493	**2,062,081**	**2,574,574**	-0-	**145,560**	145,560

12. PROPERTY AND EQUIPMENT

	Furniture and fixtures QR'000	*Computers and softwares* *QR'000*	*Motor Vehicles* *QR'000*	*Leasehold improvements* *QR'000*	*Total* *QR'000*
Gross carrying amount	9,058	1,987	356	4,269	15,670
Accumulated depreciation	(82)	(116)	(30)	(99)	(327)
Carrying amount as of December 31, 2006	8,976	1,871	326	4,170	15,343
Gross carrying amount	15,850	4,640	769	5,644	26,903
Accumulated depreciation	(2,760)	(1,245)	(98)	(1,265)	(5,368)
Carrying amount as of December 31, 2007	13,090	3,395	671	4,379	21,535

The carrying amount of property and equipment for the periods presented in the consolidated financial statements as at December 31, 2007 are reconciled as follows:

	Furniture and fixtures QR'000	*Computers and softwares* *QR'000*	*Motor Vehicles* *QR'000*	*Leasehold improvements* *QR'000*	*Total* *QR'000*
Carrying amount as of January 19, 2006	-0-	-0-	-0-	-0-	-0-
Additions	9,058	1,987	356	4,269	15,670
Depreciation charge	(82)	(116)	(30)	(99)	(327)
Carrying amount as of December 31, 2006	8,976	1,871	326	4,170	15,343
Additions	6,803	2,864	894	1,375	11,936
Disposals – net	(11)	(182)	(395)	-0-	(588)
Depreciation charge	2,678	1,158	154	1,166	5,156
Carrying amount as of December 31, 2007	13,090	3,395	671	4,379	21,535

12. PROPERTY AND EQUIPMENT

	Furniture and fixture QR'000	*Computers and softwares* *QR'000*	*Motor Vehicle* *QR'000*	*Leasehold improvement* *QR'000*	*Total* *QR'000*
Cost:					
Balance at 1 January	9,058	1,987	356	4,269	15,670
Additions	6,803	2,864	894	1,375	11,936
Disposals	(11)	(211)	(481)	-	(703)
At 31 December	**15,850**	**4,640**	**769**	**5,644**	**26,903**
Depreciation:					
Balance at 1 January	82	116	30	99	327
Charged for the year	2,678	1,158	154	1,166	5,156
Disposals	-	(29)	(86)	-	(115)
At 31 December	**2,760**	**1,245**	**98**	**1,265**	**5,368**
Net carrying amount:					
At 31 December 2007	**13,090**	**3,395**	**671**	**4,379**	**21,535**
At 31 December 2006	8,976	1,871	326	4,170	15,343

13. FINANCE LEASE PAYABLE

The finance lease payable relates to the purchase of land with lease terms of 5 years. The Company assumed ownership of land at the commencement of the lease agreement.

December 31, 2007	*Within 1 year QR'000*	*1 to 5 years QR'000*	*Total QR'000*
Finance lease payable	560,000	840,000	1,400,000
Deferred finance cost	(73,931)	(112,722)	186,653
Present value of minimum lease payments	**486,069**	**727,278**	**1,213,347**

December31, 2006	*Within 1 year QR'000*	*1 to 5 years QR'000*	*Total QR'000*
Finance lease payable	280,000	1,120,000	1,400,000
Deferred finance cost	(89,520)	(186,653)	(276,173)
Present value of minimum lease payments	**190,480**	**933,347**	**1,123,827**

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2007 QR'000	*2006 QR'000*
Provisions (i)	**943,412**	943,412
Accounts payable	**301,541**	48,673
Retention payable	**66,876**	548
Due to related parties	**385,984**	229,422
Accrued expenses	**254,759**	6,144
Others	**397,001**	73,988
	2,349,573	1,302,187

Accounts payable and other liabilities are further analysed as follows:

Current portion	**391,984**	48,673
Non-current portion	**1,957,589**	1,253,514
	2,349,573	1,302,187

The carrying amount of current payables is considered a reasonable approximation of fair value.

15 EMPLOYEES' END OF SERVICE BENEFITS

	2007 QR	*2006 QR*
Movements in provision recognised are as follows:		
Balance at beginning of the year / period	**362**	-0-
Provided during the year / period	**338**	362
Balance at end of the year / period	**700**	362

16 OBLIGATIONS UNDER ISLAMIC FINANCE

Obligations under Islamic Finance carried variable finance cost rates ranging between 5.40% and 8.50% during the year ended December 31, 2007 (2006 – 4.50% and 7.25%).

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2007 *QR'000*	*2006* *QR'000*
Staff cost	**60,639**	8,611
DSM Registration fees	**953**	9,228
Professional fees	**25,710**	812
Business development	**9,542**	265
Rent expense	**16,951**	12,187
Other general and administration expenses	**67,047**	6,188
	180,842	37,291

18 FINANCE INCOME AND FINANCE COSTS

	2007 **QR'000**	**2006** **QR'000**
Profit from Murabaha and deposits	**83,092**	34,516
Dividend income from equity investments	**42,363**	-0-
Finance income from finance lease arrangement	**98,688**	66,851
Finance income	**224,143**	101,367
Finance cost on Obligations under Islamic Finance	**(272,267)**	-0-
Finance cost from finance lease arrangement	**(89,521)**	(63,974)
Finance cost	**(361,788)**	(63,974)
Net finance cost recognised in profit and loss	**(137,645)**	(37,393)
<u>Recognised directly in equity:</u>		
Foreign currency translation differences	**42,972**	-0-
Net change in fair value of investments available for sale	**7,904**	10,869

19. SHARE CAPITAL

	2007 *QR'000*	*2006* *QR'000*
Authorized, issued and paid-up 200,000,000 shares of QR 10 each (2006 - 200,000,000 shares of QR 10 each)	**200,000,000**	200,000,000
Paid-up capital	**200,000,000**	200,000,000

The company's share capital include 90,000,000 shares issued against non cash properties subscribed by Qatari Diar Real Estate Investment Company, one of which shall be a golden share fully owned by Qatari Diar Real Estate Investment Company, in accordance with the company's articles of association.

Capital management

The primary objective of the Group's capital management is to ensure the financial stability and flexibility to sustain long term healthy capital ratios in order to support its business and maximize shareholder value. Meanwhile to ensure the adequacy and sufficiency of funds required for company operations.

The Group manages its financial structure and makes adjustments to it, in light of changes in economic and market conditions. The Group monitors capital using Leverage and gearing ratio, cash management ratios and other risk indicators as to the level required by international conventions in such regard.

For the purpose of calculating the total leverage ratio, total liabilities is divided by total equity. The group includes within total liabilities all direct and indirect liabilities due to banks and creditors, however, excludes all direct and indirect liabilities of the groups' subsidiaries that are financed on a non-recourse basis to the parent company, i.e. Barwa Real Estate Company Q.S.C.. Total equity includes equity attributable to the equity holders of the parent less the net fair value reserves.

	2007 *QR'000*	*2006* *QR'000*
Total Liabilities	12,699,602	2,845,750
Less: financing without recourse to the parent	(987,490)	-
Net liabilities	11,712,112	2,845,750
Total equity	3,048,472	2,463,402
Less: Net fair value reserves	(18,773)	(10,869)
Total capital	3,029,699	2,452,533
Total leverage ratio (times)	3.86	1.16

No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

20 STATUTORY RESERVE

In accordance with company's Articles of Association and the Qatar Commercial Company Law no. 5 of 2002, 10% of annual net profits are allocated to the statutory reserve. The transfers to statutory reserve may be suspended when the reserve reaches 50% of the paid-up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No.5 of 2002.

21 FOREIGN CURRENCY TRANSLATION RESERVE

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

22 FAIR VALUE RESERVE

This reserve records fair value changes of investments available for sale.

23. BASIC EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period as follows:

	2007 QR'000	*2006 QR'000*
Earnings:		
Profit for the period attributable to equity holders of the parent	**529,694**	452,533
Shares:		
Weighted average number of shares outstanding during the period	200,000,000	200,000,000
EPS:		
Basic earnings per share (QR)	**2.65**	2.26

24. CONTINGENCIES AND COMMITMENTS

		2007 QR'000	*2006 QR'000*
Contingent liabilities:			
Bank guarantees		376	50
Letters of credit		602,996	-
Capital commitments:			
Uncalled capital of equity investments		231,941	294,840
Contractual commitments to contractors / suppliers	(i)	4,749,581	369,030
Commitment to acquire land	(ii)	2,581,457	-

(i) This represents the value of contracts issued as of 31 December, net of invoices received and accruals made at that date.

(ii) Commitments to acquire land include an amount of QR 367,124,000.- that is due within one year.

25 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	2007	*2006*
	QR'000	*QR'000*
Profit from sale of land	105,776	358,050
Profit from sale of building	104,806	-0-

Amounts due from and due to related parties are disclosed in notes 7 and 14 respectively.

26 SEGMENT REPORTING

Business segment:

For management purposes, the Company is organised into two major business segments. The real estate segment develops and sells condominiums, villas and plots of land. Other segments include businesses that individually do not meet the criteria for a reportable segment as per IAS 14. These businesses are mainly related to equity and debt investments. Income from sources other than the real estate segment is included in other operating income.

The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results, which are considered as a measure of the individual segment's profit or loss.

	Real Estate	*Investment and others*	*Total*
	QR'000	*QR'000*	*QR'000*
Total segment revenue	530,216	579,156	1,109,371
Total segment cost	(269,281)	(272,267)	(541,548)
Segment results	260,935	306,889	567,823
Segment assets	9,970,825	6,026,966	15,997,791

Geographic segments:

The domestic segment includes business activity and operations in the State of Qatar and the international segment includes business activity and operations outside the State of Qatar.

	Real Estate	*Investment and other*	*Total*
	QR'000	*QR'000*	*QR'000*
Domestic segment (The State of Qatar)	7,067,119	1,461,656	8,528,775
International segment (Other countries)	2,903,706	4,565,310	7,469,016
	9,970,825	6,026,966	15,997,791

27 RISK MANAGEMENT POLICIES

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Company 's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Company 's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

Barwa Real Estate does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

A) MARKET RISK

(I) Finance cost rate risk

Finance cost on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Company's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits. The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on obligations under Islamic finance from islamic financial institutions are disclosed in note 16.

The Company policy is to manage its finance cost using a mix of fixed and variable rate debts. The Company's policy is to keep between 40% and 60% of its borrowings at fixed rates. To manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rates amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

(ii) Foreign currency risk

The Company enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Qatari Riyal has remained stable over the past several years.

Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US Dollars and Euros. The Company also holds investments in equity securities denominated in US Dollars and Euros. Further, The Company has Euro loans, which have been used to fund the purchase of investment properties in Europe.

To mitigate the Company's exposure to foreign currency risk, non-Qatar Riyal cash flows are monitored and forward exchange contracts are entered into in accordance with Barwa Real Estate's risk management policies. Generally, Barwa Real Estate's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long term foreign currency exposures that are not expected to be offset by other currency transactions. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. As balances in GCC currencies are also pegged to the US Dollar, balances in GCC currencies are not considered to represent significant currency risk.

27 RISK MANAGEMENT POLICIES (continued)

A) *MARKET RISK (continued)*

(ii) Foreign currency risk (continued)

Foreign currency denominated financial assets and liabilities, translated into Qatar Riyals at the closing rate, are as follows.

	2007 QR'000			*2006 QR'000*		
NOMINAL AMOUNTS	US$	Euro	Others	*US$*	*Euro*	*Others*
Financial assets	**495,660**	**360,009**	**1,033,787**	199,290	-0-	-0-
Financial liabilities	**3,897,552**	**912,155**	**3,792,779**	-0-	-0-	-0-
Short-term exposure	**(3,401,892)**	**(552,146)**	**(2,695,992)**	199,290	-0-	-0-
Financial assets	**1,379,486**	**31,127**	**6,747,029**	256,542	111,228	169,793
Financial liabilities	**728,000**	**977,701**	**2,454,414**	-0-	-0-	-0-
Long-term exposure	**651,486**	**(946,574)**	**4,292,615**	256,542	111,228	169,793

(iii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet as available for sale. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
The investments in quoted and unquoted equity securities are considered long-term strategic investments. In accordance with the Company's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Company's favour.

B) *CREDIT RISK*

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Company does not offer credit terms without the approval of the Head Office.

27 RISK MANAGEMENT POLICIES (continued)

B) CREDIT RISK (continued)

The following table illustrates financial assets subject to credit risk:

	2007 QR'000	*2006* *QR'000*
Classes of financial assets – carrying amounts		
Cash at banks and financial institutions	**769,925**	224,422
Murabaha investments	**1,059,127**	315,599
Investments held for trading	**6,514**	6,000
Finance lease receivables	**1,130,312**	1,646,859
Advances and other receivables	**5,841,753**	1,415,203
Investments available for sale	**574,342**	558,812
	9,381,973	4,166,895

With respect to credit risk arising from financial assets, the Company's maximum exposure arising from default of the counterparty equal to the carrying amount as shown above.

C) LIQUIDITY RISK

The Company monitors its risk to a shortage of funds using a gap risk analysis. This takes into account the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities and finance leases.

The company limits its liquidity risk by ensuring that adequate funds are maintained with the banks. As per the agreements with the contractors, the company normally settles the contractor invoices within 14 - 45 days.

27 RISK MANAGEMENT POLICIES (continued)

C) LIQUIDITY RISK (continued)

The following table summarizes the maturity profile of the Company's financial assets and liabilities at December 31, 2007:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
Financial assets						
Cash at banks and financial institutions	769,925	-	-	-	-	769,925
Murabaha investments	-	482,000	-	577,127	-	1,059,127
Investments held for trading	-	6,514	-	-	-	6,514
Finance lease receivables	-	-	257,886	872,426	-	1,130,312
Advances and other receivables	-	300,136	-	4,028,966	-	4,329,102
Due from related parties	-	-	-	1,512,651	-	1,512,651
Investments available for sale	-	-	-	574,342	-	574,342
Investment in associates	-	-	-	-	665,125	665,125
Total financial assets	**769,925**	**788,650**	**257,886**	**7,565,512**	**665,125**	**10,047,098**
Financial liabilities						
Obligation under Islamic finance	-	364,000	3,135,935	5,642,046	-	9,141,981
Finance lease payable	-	-	486,069	727,278	-	1,213,347
Accounts payable and other liabilities	-	-	-	1,963,589	-	1,963,589
Due to related parties	-	385,984	-	-	-	385,984
Employees' end of service benefits	700	-	-	-	-	700
Total financial liabilities	**700**	**749,984**	**3,622,004**	**8,332,913**	**-**	**12,705,601**
Maturity gap	**769,225**	**38,666**	**(3,364,118)**	**(762,401)**	**665,125**	**(2,658,503)**

27 RISK MANAGEMENT POLICIES (continued)

C) LIQUIDITY RISK (continued)

The following table summarizes the maturity profile of the Company's financial assets and liabilities at December 31, 2006:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Financial assets						
Cash at banks and financial institutions	224,422	-	-	-	-	224,422
Murabaha investments	-	-	315,599	-	-	315,599
Investments held for trading	-	6,000	-	-	-	6,000
Finance lease receivables	-	-	264,405	1,382,454	-	1,646,859
Advances and other receivables	-	24,906	-	529,905	-	554,811
Due from related parties	-	-	-	860,392	-	860,392
Investments available for sale	-	88,618	-	470,194	-	558,812
Investment in associates	-	-	-	-	62,500	62,500
Total financial assets	**224,422**	**119,524**	**580,004**	**3,242,945**	**62,500**	**4,229,395**
Financial liabilities						
Obligation under Islamic finance	-	-	-	419,374	-	419,374
Finance lease payable	-	-	190,480	933,347	-	1,123,827
Accounts payable and other liabilities	-	-	1,072,765	-	-	1,072,765
Due to related parties	229,422	-	-	-	-	229,422
Employees' end of service benefits	362	-	-	-	-	362
Total financial liabilities	**229,784**	**-**	**1,263,245**	**1,352,721**	**-**	**2,845,750**
Maturity gap	**(5,362)**	**119,524**	**(683,241)**	**1,890,224**	**62,500**	**1,383,645**

28 EVENTS AFTER THE BALANCE SHEET DATE

The Company has appointed a leading financial institution as issue manager to manage the company's right issue of QR 1,500,000,000 Necessary Ministry approvals have been obtained. The proposed share capital increase was approved via an Extraordinary General Meeting on January 16, 2008. As of January 29, 2008, the company made a rights issue of 50,000,000 shares to its existing shareholders at QR 30 per share. The shares carry a nominal value of QR 10 each. The issue closed on February 12, 2008 and the proceeds amounted to QR 1,500,000,000 including proceeds higher than the nominal value of shares subscribed for of QR 1,000,000,000.

The Company signed a syndicated loan agreement amounting to US$ 700 million with a group of local, regional and international banks. As of the balance sheet none of the facility had been drawn down.

29 COMPARATIVE FIGURES

The comparative figures for the previous period 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.