

**BARWA REAL ESTATE COMPANY Q.S.C.**

**Consolidated financial statements  
for the year ended**

**31 December 2010**

# Barwa Real Estate Company Q.S.C.

## Consolidated financial statements For the year ended 31 December 2010

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## **Independent auditors' report to the shareholders of Barwa Real Estate Company Q.S.C.**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Barwa Real Estate Company Q.S.C. ("Barwa") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the directors for the consolidated financial statements*

The directors of the Group are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control, as the directors determine is necessary to ensure the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Report on other legal and regulatory requirements*

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Companies Commercial Law or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as at 31 December 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

22 February 2011  
Doha  
State of Qatar

Ahmed Hussain  
KPMG  
Qatar Auditor's Registry No. 197

*Barwa Real Estate Company Q.S.C.*  
*31 December 2010*  
*Independent Auditors' Report (continued)*

**BARWA REAL ESTATE COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2010**

**In thousands of Qatari Riyals**

	Notes	2010	2009 Restated
<b>ASSETS</b>			
Cash and banks	5	12,983,145	1,927,994
Financial assets at fair value through profit or loss	6	3,959	4,073
Trading property	7	104,732	104,732
Receivables and prepayments	8	783,991	1,050,150
Available for sale financial assets	9	2,749,458	916,851
Due from customers under Islamic financing	10	1,993,782	510,979
Finance lease receivables	11	1,806,641	-
Advances for projects and investments	12	6,048,411	3,678,434
Property under development	13	31,571,104	14,580,281
Due from related parties	14.a	186,334	3,050,636
Investment property	15	12,602,836	5,799,670
Investments in equity accounted investees	16	1,937,797	1,854,047
Goodwill	17	413,809	123,388
Property, plant and equipment	18	796,188	1,291,596
<b>TOTAL ASSETS</b>		<b>73,982,187</b>	<b>34,892,831</b>
<b>LIABILITIES AND EQUITY</b>			
Payables and accruals	19	4,374,236	2,739,766
Placements from financial institutions	20	1,720,769	88,586
Unrestricted investments accounts for Islamic banking contracts	21	2,708,526	1,088,728
Liabilities under derivative financial instruments	22	674,820	284,875
Liabilities for purchase of land	23	3,272,667	3,432,151
Due to related parties	14.b	23,888,460	466,352
Obligations under Islamic finance contracts	24	24,178,951	20,050,837
Deferred tax liabilities	25	24,984	42,250
Provisions	26	38,081	936,168
<b>TOTAL LIABILITIES</b>		<b>60,881,494</b>	<b>29,129,713</b>
<b>EQUITY (pages 5 and 6)</b>			
Share capital	27	3,891,246	2,625,000
Legal reserve	28	355,870	215,307
General reserve	29	4,639,231	1,041,697
Risk reserve	30	27,722	2,768
Accumulated other comprehensive loss	31	(45,154)	(40,063)
Treasury shares	32	(4,991)	(872)
Retained earnings		2,367,309	1,332,964
Total equity attributable to the Shareholders of the Parent		11,231,233	5,176,801
Non-controlling interests	33	1,869,460	586,317
<b>TOTAL EQUITY</b>		<b>13,100,693</b>	<b>5,763,118</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>73,982,187</b>	<b>34,892,831</b>

These consolidated financial statements were approved and signed on behalf of the Board of Directors by the following on 22 February 2011:

**Ghanim Bin Saad Al Saad**

Chairman and Managing Director

**Ali Mohammed Al-Obaidli**

Board Member

The attached notes from 1 to 53 form an integral part of these consolidated financial statements.

**BARWA REAL ESTATE COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2010**

**In thousands of Qatari Riyals**

	Notes	2010	2009 Restated
<b>REVENUES AND GAINS</b>			
Profit on sale of property		159,494	87,653
Gain on sale of subsidiaries	34	-	260,762
Gain on revaluation of investment property	15	376,123	1,261,304
Income from unconditional discharge of borrowings	35	914,900	-
Consulting and other services revenues	36	215,100	82,769
Rental income		442,662	160,115
Share of results from equity accounted investees	16	(168,080)	1,032,694
Gain from previously held interests in acquired subsidiaries	43	3,063,115	-
Bargain purchase gain	43.B.b	2,266,527	-
Gain from reversal of a provision	26	856,412	-
Other income	37	50,183	68,805
		<b>8,176,436</b>	<b>2,954,102</b>
<b>EXPENSES AND LOSSES</b>			
General and administrative expenses	38	1,571,748	994,353
Impairment losses	39	3,801,842	562,885
Depreciation	18	91,863	51,836
		<b>5,465,453</b>	<b>1,609,074</b>
Net finance costs	40	1,306,977	660,941
<b>Net profit before taxes</b>		<b>1,404,006</b>	<b>684,087</b>
Income taxes	25	7,086	59,260
<b>Net profit for the year</b>		<b>1,411,092</b>	<b>743,347</b>
<i>Attributable to</i>			
Equity holders of the Parent		1,405,629	765,817
Non-controlling interests		5,463	(22,470)
		<b>1,411,092</b>	<b>743,347</b>
<b>Basic and diluted earnings per share</b>	41	<b>4.04</b>	<b>2.92</b>
<b>Other comprehensive income</b>			
Net change in fair value of available for sale financial assets		(124,106)	(11,287)
Impairment loss on available for sale financial assets transferred to profit or loss		101,524	-
Effective portion of changes in fair value of cash flow hedges		(25,728)	-
Net change in fair value of cash flow hedges transferred to profit or loss		74,362	78,048
Foreign currency translation differences for foreign operations		(11,334)	(63,879)
<b>Other comprehensive income for the year</b>		<b>14,718</b>	<b>2,882</b>
<b>Total comprehensive income for the year</b>		<b>1,425,810</b>	<b>746,229</b>
<i>Attributable to</i>			
Equity holders of the Parent		1,400,538	756,420
Non-controlling interests		25,272	(10,191)
		<b>1,425,810</b>	<b>746,229</b>

The attached notes from 1 to 53 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

In thousands of Qatari Riyals

	Attributable to the Shareholders of the Parent							Total	Non-controlling interest	Total equity
	Share capital	Legal reserve	General reserve	Risk reserve	Accumulated other comprehensive loss	Treasury shares	Retained earnings			
2009 (Restated)										
Balance at 31 December 2008	2,625,000	126,853	1,041,697	-	(30,666)	-	679,857	4,442,741	329,776	4,772,517
Net profit for the year (Restated – Note 51)	-	-	-	-	-	-	765,817	765,817	(22,470)	743,347
Other comprehensive income for the year (Note 31)	-	-	-	-	(9,397)	-	-	(9,397)	12,279	2,882
Total comprehensive income for the year	-	-	-	-	(9,397)	-	765,817	756,420	(10,191)	746,229
Transfer to Social and Sports Fund	-	-	-	-	-	-	(19,988)	(19,988)	-	(19,988)
Transfer to legal reserve	-	88,454	-	-	-	-	(88,454)	-	-	-
Transfer to risk reserve	-	-	-	2,768	-	-	(2,768)	-	-	-
<b>Transactions with owners of the Group recognized directly in equity</b>										
Contributions by and distributions to owners of the Group	-	-	-	-	-	-	-	-	-	-
Board of directors' remuneration	-	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Treasury shares resulting from subsidiaries ownership of the Parent's shares	-	-	-	-	-	(872)	-	(872)	-	(872)
<i>Change in ownership interest in subsidiaries</i>										
Non-controlling interests' share in issued capital of subsidiaries	-	-	-	-	-	-	-	-	307,694	307,694
Non-controlling interests in disposed subsidiaries	-	-	-	-	-	-	-	-	(6,776)	(6,776)
Non-controlling interests acquired by the Parent	-	-	-	-	-	-	-	-	(34,186)	(34,186)
Balance at 31 December 2009 (Restated – Note 51)	2,625,000	215,307	1,041,697	2,768	(40,063)	(872)	1,332,964	5,176,801	586,317	5,763,118

The attached notes from 1 to 53 form an integral part of these consolidated financial statements.

**BARWA REAL ESTATE COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2010**

**In thousands of Qatari Riyals**

2010	<i>Equity Attributable to the Shareholders of the Parent</i>							Total	Non-controlling interests	Total equity
	Share capital	Legal reserve	General reserve	Risk reserve	Accumulated other comprehensive loss	Treasury shares	Retained earnings			
Balance at 31 December 2009 as previously stated	2,625,000	215,307	1,041,697	-	(40,063)	(872)	1,391,885	635,360	5,868,314	
Prior period adjustments (Note 51)	-	-	-	2,768	-	-	(58,921)	(49,043)	(105,196)	
Balance at 31 December 2009 as restated	2,625,000	215,307	1,041,697	2,768	(40,063)	(872)	1,332,964	586,317	5,763,118	
Net profit for the year	-	-	-	-	-	-	1,405,629	5,463	1,411,092	
Other comprehensive loss for the year (Note 31)	-	-	-	-	(5,091)	-	-	19,809	14,718	
Total comprehensive income for the year	-	-	-	-	(5,091)	-	1,405,629	25,272	1,425,810	
Transfer to Social and Sports Fund (Note 26)	-	-	-	-	-	-	(35,277)	-	(35,277)	
Transfer to legal reserve	-	140,563	-	-	-	-	(140,563)	-	-	
Transfer to risk reserve	-	-	-	24,954	-	-	(24,954)	-	-	
<b>Transactions with owners of the Group recognized directly in equity</b>										
<i>Contributions by and distributions to owners of the Group</i>										
Additional share capital issued (Note 27)	1,266,246	-	3,597,534	-	-	-	-	-	4,863,780	
Dividends declared for 2009 (Note 42)	-	-	-	-	-	-	(525,000)	-	(525,000)	
Board of directors remuneration for 2009	-	-	-	-	-	-	(1,500)	-	(1,500)	
Treasury shares resulting from newly acquired subsidiaries (Note 43-a-b)	-	-	-	-	-	(4,119)	-	-	(4,119)	
<i>Change in ownership interest in subsidiaries</i>										
In kind contributions provided by non-controlling interest without change of control (Note 44.a)	-	-	-	-	-	-	270,116	248,822	518,938	
Sale to non-controlling interest without change of control (Note 44-b)	-	-	-	-	-	-	116,437	33,563	150,000	
Non-controlling interest acquired without change of control (Note 44-c)	-	-	-	-	-	-	(30,543)	(5,320)	(35,863)	
Non-controlling interests assumed through business combinations (Note 33)	-	-	-	-	-	-	-	980,806	980,806	
<b>Balance at 31 December 2010</b>	<b>3,891,246</b>	<b>355,870</b>	<b>4,639,231</b>	<b>27,722</b>	<b>(45,154)</b>	<b>(4,991)</b>	<b>2,367,309</b>	<b>1,869,460</b>	<b>13,100,693</b>	

The attached notes from 1 to 53 form an integral part of these consolidated financial statements.



**BARWA REAL ESTATE COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2010**

**In thousands of Qatari Riyals**

	2010	2009 Restated
<b>OPERATING ACTIVITIES</b>		
Net profit for the year	1,411,092	743,347
<i>Adjustments for:</i>		
Income from unconditional discharge of borrowings	(914,900)	-
Gain on fair value adjustment of investment property	(376,123)	(1,261,304)
Unrealized losses / gains on financial assets held for trading	207	(86)
Loss on liquidation of investments	6,721	1,118
Depreciation	91,863	51,836
Net deferred tax benefit	(7,086)	(66,630)
Share of results from equity accounted investees	168,080	(1,032,694)
Impairment losses	3,801,842	562,885
Gain on debt restructure	-	(265,014)
Gain on sale of subsidiaries	-	(260,762)
Bargain purchase gain	(2,266,527)	-
Gain on previously held interest in acquired subsidiaries	(3,063,115)	-
Gain from reversal of a provision	(856,412)	-
Loss on disposal of furniture and equipment	1,786	760
<b>Operating loss before working capital changes</b>	<b>(2,002,572)</b>	<b>(1,526,544)</b>
<i>Changes in working capital</i>		
Change in receivables and prepayments	275,188	(334,329)
Change in customers for financing activities	(226,293)	(510,979)
Change in payables and accruals	(334,461)	1,098,670
Change in placements from financial institutions	836,155	-
Utilized provisions	(66,987)	(5,859)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,518,970)</b>	<b>(1,279,041)</b>
<b>INVESTING ACTIVITIES</b>		
Payments for business combinations net of cash acquired	(299,233)	(241,967)
Proceeds from sale of subsidiaries	-	874,956
Payments for development / acquisition of property under development and investment property	(5,977,527)	(6,244,854)
Payments made for purchase of property and investments	(2,064,496)	-
Payments for refundable advances	(619,070)	-
Payments for establishment and new capital issue of associates	(285,438)	(48,318)
Payments for purchase of investment in securities	(1,782,470)	(41,738)
Payments for purchase of property, plant and equipment	(181,297)	(302,120)
Proceeds from sale of available for sale financial assets	176,335	18,604
Dividends received from associates	24,403	-
Funds provided to related parties for investing activities	(1,644,315)	(1,385,347)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(12,653,108)</b>	<b>(7,370,784)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from obligations under Islamic finance contracts	16,286,036	11,131,617
Proceeds from financing provided by Ultimate Controlling Party	19,474,000	-
Payments from the outstanding Islamic finance obligations	(11,531,958)	(3,565,301)
Proceeds from unrestricted investments accounts	1,619,798	1,088,728
Payments for obligations for purchase of land	(204,847)	(247,736)
Dividends paid	(525,000)	-
Board of Directors' remuneration paid	(1,500)	(1,500)
Restricted bank balances and reserves held with Qatar Central Bank	(103,140)	1,680,611
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>25,013,389</b>	<b>10,086,419</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		
Net translation differences	110,700	54,518
Cash and cash equivalents at the beginning of the year	1,870,498	379,386
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 5)</b>	<b>12,822,509</b>	<b>1,870,498</b>

The attached notes from 1 to 53 form an integral part of these consolidated financial statements.

## BARWA REAL ESTATE COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

#### 1. REPORTING ENTITY

Barwa Real Estate Company Q.S.C. ("the Company" or "the Parent") was incorporated as Qatari Shareholding Company under Commercial Registration No. 31901 dated 27 December 2005. The term of the Company is 100 years starting from the date of declaration in the Commercial Register.

The principal activities of the Parent include investment in all types of real estate including acquiring, reclamation, dividing, developing and reselling of lands and to establish agricultural, industrial, commercial projects on lands, or lease those lands, and also buying, selling and leasing buildings or projects. It also administers and operates real estate investments in and outside the State of Qatar. The Parent, along with its subsidiaries ("the Group") are engaged in the business of developing domestic and international real estate projects, investing, hotels ownership and management, banking, financing, projects consulting, advertisement, brokerage services and others.

The Group's major subsidiaries included in these consolidated financial statements are:

Name of the Subsidiary	Country of incorporation	Shareholding percentage
Barwa International S.P.C.	Qatar	100%
Qatar Real Estate Investment Company C.Q.S.C.	Qatar	100%
Barwa Al Khour Company W.L.L.	Qatar	100%
Barwa Al-Doha Real Estate Company W.L.L.	Qatar	65%
Barwa City Real Estate Company W.L.L.	Qatar	100%
Barwa Commercial Avenue	Qatar	95%
Barwa Financial District	Qatar	100%
Barwa Cooling Company S.P.C.	Qatar	100%
Barwa Al-Saad Company S.P.C.	Qatar	100%
Nozol Qatar Company Limited W.L.L.	Qatar	50%
Barwa Building Materials Company Limited S.P.C.	Qatar	100%
Barwa Bank Q.S.C.	Qatar	39.48%
Barwa Lusail Company Limited W.L.L.	Qatar	100%
Qatar Project Management Company C.Q.S.C.	Qatar	70%
Barwa Media Company S.P.C.	Qatar	100%
Barwa Technology S.P.C.	Qatar	100%
Barwa Knowledge Company S.P.C.	Qatar	100%
Park House Limited	U.K.	100%
Barwa Cavendish Capital	U.K.	60%
Barwa Cavendish Company Limited	Cayman Islands	100%
Barwa Real Estate Al-Bahrain S.P.C.	Bahrain	100%
Guidance Hotel Investment Company B.S.C.C.	Bahrain	96.5%
Blue Wave Real Estate Company W.L.L.	U.A.E.	100%

## BARWA REAL ESTATE COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

#### 1. REPORTING ENTITY (CONTINUED)

Major subsidiaries of the Group (continued)

Name of the Subsidiary	Country of incorporation	Shareholding percentage
Barwa Egypt Real Estate S.A.E.	Egypt	100%
Barwa Egypt for Real Estate Development Company S.A.E.	Egypt	100%
Barwa New Cairo for Real Estate Investments S.A.E.	Egypt	100%
Barwa Sudanese Holding Company	Sudan	100%
Barwa Luxemburg S.A.R.L.	Luxemburg	100%
Barwa International Hotel Management Luxemburg	Luxemburg	100%
Barwa Russia Company S.A.R.L.	Luxemburg	100%
Masaken Al Saliya & Mesaier Company W.L.L.	Qatar	100%
Barwa Village Company S.P.C.	Qatar	100%
Waseef Company W.L.L.	Qatar	100%
Tanween Company W.L.L.	Qatar	60%
The First Investor W.L.L.	Qatar	39.48%
First Leasing Company W.L.L.	Qatar	39.48%
First Finance Company P.Q.S.C.	Qatar	39.48%
Jeddah Vegetables and Fruits Central Markets Company W.L.L.	Saudi Arabia	100%
Barwa Al-Baraha Company W.L.L.	Qatar	100%

The financial statements of Barwa Bank ("the Bank") for the year ended 31 December 2010 were approved by the Board of Directors of the Bank and the Group management and issue of these financial statements is subject to the approval of Qatar Central Bank.

#### 2. BASIS OF PREPARATION

##### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The consolidated financial statements of the Group was authorized for issue in accordance with the resolution of the Board of Directors on 22 February 2011.

##### b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Investment property is measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Derivative financial instruments are measured at fair value.

The methods used to measure fair values are discussed further in Note 48.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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**2. BASIS OF PREPARATION (Continued)**

**c) Functional and presentation currency**

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest thousand except otherwise indicated.

**d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 49.

**e) Changes in accounting policies**

**(i) Overview**

Effective 1 January 2010 the Group has changed its accounting policies in the following areas:

- Accounting for business combination (IFRS 3)
- Accounting for acquisitions of non-controlling interests
- Agreements for the construction of real estate (IFRIC 15)
- Determination and presentation of operating segments (IFRS 8)

**(i) IFRS 3 (revised), "Accounting for business combination"**

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

**Acquisitions on or after 1 January 2010**

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

**2. BASIS OF PREPARATION (CONTINUED)**

**e) Changes in accounting policies (continued)**

*(i) IFRS 3 (revised), "Accounting for business combination" (continued)*

*Acquisitions between 1 January 2004 and 1 January 2010*

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

*(ii) Accounting for acquisitions of non-controlling interests*

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

On 1 January 2010 the Group changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model, with changes in fair value recognised in profit or loss. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets, assists users to better understand the risks associated with these assets and is consistent with industry practice in relation to these types of assets.

*(iii) Accounting policies for new transactions and events*

*Government grants – forgivable loans*

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised as income of the period in which it becomes receivable.

A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in Note 2-e, which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year's presentation (see Note 53).

**3.1) Basis of consolidation**

**a) Business combinations**

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2-e-i for further details.

**b) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**c) Special purpose entities**

The Group has established special purpose entities (SPEs) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

**d) Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**e) Investments in associates and jointly controlled entities (equity-accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1) Basis of consolidation (continued)**

*f) Jointly controlled operations*

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

*g) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**3.2) Foreign currency**

*a) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income.

*b) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Qatari riyals at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3) Revenue recognition

##### *Sale of property*

Revenue from the sale of trading property is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing involvement with the transferred property, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the sale contract of property, however and in the lack of other contractual determinants, it is presumed that risks and rewards are transferred to the buyer upon transfer of possession of the sold property.

When the Group is contractually required to perform further work on real estate already delivered to the buyer, the Group recognizes a provision and expense for the present value of the expenditures required to settle its obligations under such further works.

##### *Income from Murabaha and Islamic deposits*

Income from Murabaha and Islamic deposits is recognized on a time apportionment basis taking into account of the principal invested and the profit rate applicable to such contracts and agreements.

##### *Rental income*

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

##### *Dividend income*

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

##### *Management income*

Management income is recognized based on the terms and conditions of the relevant management agreements concluded with external parties to the Group.

##### *Income from investment banking services*

This is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

##### *Fees and commission income*

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost and are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management fees, placement and arrangement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

##### *Income from financing transactions*

These are recognised on a time-apportioned basis over the period of the contract. Income on non-performing financing accounts is suspended when it is not certain the Group will receive the income in accordance with Qatar Central Bank's instructions.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3) Revenue recognition (continued)

##### *Income from wakala placements*

This is recognized on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

##### *Construction contracts*

Revenues from construction contracts are recognized based on the percentage of completion method. Contract costs include direct material and labour and an allocation of indirect costs related to the contract. Accruals for losses on contracts are recorded when such losses are determined. Warranty costs and contract completion accruals are recorded for future expenses in connection with the completion of contracts.

The percentage of completion is determined by comparing costs incurred as of the reporting date with total estimated costs at completion of the contract. During the life of the construction contract the gross margin recognition is subject to an allowance for contingency mechanism depending on the percentage of completion. In other contracts, mainly service and maintenance, revenue is recognized in line with the value and timing of services rendered.

##### *Advertisement revenues*

Advertisement revenues represent the invoiced value of services rendered by the Group during the period. Revenue is recognized upon performing the services to the customers and no significant uncertainties remain regarding the determination of consideration, associated costs or the possible reject of services rendered.

##### *Consulting revenues*

Consulting revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and duty. The specific recognition criteria must also be met before revenue is recognized.

#### 3.4) Trading properties

Trading properties are real estate properties (including non-developed plots of land) developed and / or held for sale in the ordinary course of business. Trading properties are held at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of trading properties is determined on the basis of specific identification of their individual costs.

#### 3.5) Investment property

Investment properties are properties which are held either to earn rental income, including those under development, or for capital appreciation or for both are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. Any gain or loss arising from a change in fair value is recognized in the consolidated profit or loss.

Property that is being constructed for future use as investment property is accounted for as investment property under the fair value model. Property under construction is designated as investment property only if there are unambiguous plans by management to subsequently utilize the property for rental activities upon completion of development, or if there is undetermined future use of the property and hence the property is held for long term capital appreciation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5) Investment property (Continued)

*Transfers between property categories*

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property;
- (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity as a revaluation surplus. Any loss is recognised immediately in profit or loss.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with IAS 16 or IAS 2 shall be its fair value at the date of change in use.

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

3.6) Property under development

Properties that are being developed and constructed for sale in the ordinary course of business are classified as projects under construction until construction or development is complete, at which stage it is classified and subsequently accounted for as trading property based on management's intentions. Such properties are initially recorded at cost and are held at the lower of cost and net realizable value at the balance sheet date. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined on the basis of specific identification of their individual costs.

3.7) Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that computers and office equipment.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land, if any, is not depreciated.

The estimated useful lives of the depreciable assets are as follows:

Buildings	20 years
Furniture and fixtures	3-7 years
Motor vehicles	5 years
Computers software and hardware	3-5 years
Office equipment	3 years
Leasehold improvements	3 years

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7) Property, plant and equipment (Continued)

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

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognized.

#### 3.8) Financial instruments

##### *(i) Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8) Financial instruments (Continued)**

*(i) Non-derivative financial assets (Continued)*

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less, unrestricted balances held with Qatar Central Bank and other Islamic and commercial banks, placements with banks and other financial institutions, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Placements with banks and other financial institutions comprise placements made in the form of wakala contracts. Placements are usually short term in nature and are stated at their amortised cost.

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

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

*(ii) Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise obligations under Islamic finance contracts, bank overdrafts, and trade and other payables.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8) Financial instruments (Continued)

##### *(iii) Share capital*

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

###### *Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

##### *(iv) Derivative financial instruments, including hedge accounting*

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in described below for those derivative instruments designated for hedging cash flows, while changes in the fair value of derivative instruments not designated for cash flow hedges are charged directly to profit or loss.

###### *Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, if any, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

#### 3.9) Impairment

##### *Financial assets*

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

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective finance cost rate.
- d) Significant financial assets are tested for impairment on an individual basis.
- e) The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9) Impairment (Continued)**

*Financial assets (Continued)*

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

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3.10) Borrowing costs**

Borrowing costs are finance cost and other costs that the Group incurs in connection with the borrowing of funds. A qualifying asset for finance cost capitalization is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group recognizes other borrowing costs as an expense in the period in which it incurs them.

The Group begins capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the Group first meets all of the following conditions:

- (a) incurs expenditures for the asset;
- (b) incurs borrowing costs; and
- (c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings, if any.

The borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than those specific borrowings mentioned above as made specifically for the purpose of obtaining a qualified asset, are capitalized by applying a capitalization rate to the expenditures on that asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.10) Borrowing costs (continued)

The amount of borrowing costs that the Group capitalizes during the period is not to exceed the amount of borrowing costs it incurred during that period. The Group suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset, and ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### 3.11) Unrestricted investment accounts

Unrestricted investment accounts are funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holder authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

All unrestricted investment accounts are carried at cost plus accrued profits and related reserves less amounts settled.

#### *Unrestricted investment account holders' share of profit*

Net profit for the year is distributed among unrestricted account holders and owners in accordance with Qatar Central Bank's instructions, which are summarised as follows:

- The net profit is arrived at after taking into account all income and expenses at the end of the financial period, and is distributed between unrestricted investment account holders and shareholders. The share of profit of the unrestricted account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee, if any.
- In case of any expense or loss, which arise out of misconduct on the part of the Group due to non-compliance with Qatar Central Bank's regulations and instructions, then such expenses or loss shall not be borne by the unrestricted investment account holders. Such matter is subject to Qatar Central Bank's decision.
- In case the results of the Group at the period end are net losses, then Qatar Central Bank, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

#### 3.12) Due from customers under financing activities

Receivables and balances from financing activities comprise Sharia' compliant retail and commercial financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Tawaruq etc. Receivables and balances from financing activities are stated at their amortised cost less impairment allowances, if any.

Murabaha receivables consist mainly of deferred sales transaction agreements ("Murabaha") and are stated net of deferred profits and provision for impairment.

#### 3.13) Customer current and saving accounts

Balances due to banking customers in current and saving accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14) Obligations under Islamic financing contracts

Obligations under Islamic financing contracts are recognized initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, those obligations are measured at amortized cost using the effective cost method.

Gains or losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the amortization process. Finance cost and other related charges are recognized as an expense when incurred.

Installments due within one year are shown as a current liability. Installments due after 1 year are shown as non-current liability.

#### 3.15) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### 3.16) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases, and are not recognized in the Group's consolidated balance sheet.

#### 3.17) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### 3.18) Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with Qatar labour law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the General Pension Fund Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.19) 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.

**3.20) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, if any, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities, if any, to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**3.21) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, if any, are not capitalized and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.21) Intangible assets (continued)**

***Goodwill***

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition.

***Subsequent measurement***

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

**3.22) Inventory**

Inventories resulting from hotel activities, are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is determined on a weighted average basis. Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

**3.23) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

**3.24) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments in Note 45. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

**3.25) Government grants**

Unconditional government grant related to income are recognised in profit or loss when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of a depreciable asset are recognised in profit or loss on a systematic basis over the useful life of the asset, while grants compensating the Group for assets under development are directly deducted from the carrying amount of the related asset.

**3.26) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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For the year ended 31 December 2010

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**4. RISK MANAGEMENT**

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

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk
- (iv) Operational risks
- (v) Other risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

**Risk management framework**

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group's Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

The Group subsidiaries follow the Group risk management policies, except for subsidiaries operating in financial services activities which are monitored by the Parent's Board of Directors and Committees.

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. In the subsidiaries operating in financial services activities, the Board has established the Management Committee ("MANCO"), Investment, Credit and Operational Risk Committees and Assets and Liability Committee ("ALCO") which are responsible for developing and monitoring those subsidiaries risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board on their activities.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's advances to acquire investments, advances to contractors, due from related parties, investment securities Group's financing activities and placements with banks and other financial institutions, and receivables from customers.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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**4. RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

***Advances, receivables and related parties***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each contractor/customer. The demographics of the Group's project/customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Material amounts of the Group's advances/collections are attributable to contractors/customers originating from the State of Qatar. There is no concentration on credit risk attributable to a single contractor/customer.

The Group's policy is that advances, receivables and related parties are stated at original paid advance / invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery, if any.

***Guarantees***

The Group's policy is to provide financial guarantees only to its subsidiaries. Outstanding guarantees to the Group are disclosed in Note 46.

***Balances with Qatar Central Bank***

Credit risk on balances with Qatar Central Bank is limited as the Qatar Central Bank is well reputed.

***Balances and placements with banks and other financial institutions***

Credit risk on balances and placements with banks and other financial institutions is limited as they are placed with local and foreign banks having good credit ratings assigned by international credit rating agencies.

***Receivables and balances from financing activities***

The maximum exposure to credit risk for receivables and balances from financing activities at the reporting date was equal to the receivables amount disclosed in the statement of financial position. All receivables are within State of Qatar, and with well reputed government agency and employees of the Group and deemed to be collectible.

***Investment securities***

The maximum exposure to credit risk for investment securities at the reporting date was equal to the carrying amount disclosed in the statement of financial position.

***Other financial assets***

The maximum exposure to credit risk for certain other financial assets (including due from related parties, security deposit and etc.) at the reporting date was equal to the amounts disclosed in the statement of financial position. All such balances are relating to receivables within State of Qatar.

***Allowances for impairment***

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its receivables and balances from financing activities. The main component of this allowance is a specific loss component that relates to individually significant exposures. The Group's policy is to classify receivables and balances from financing activities past due for more than 90 to 180 days as substandard, 181 to 270 days as doubtful and more than 270 days as loss assets which comply with the Qatar Central Bank requirements. None of the exposures of the Group were past due for more than 90 days, hence have not been classified as non-performing as at 31 December 2010.

***Write-off***

The Group writes off receivables and balances from financing (and any related allowances for impairment) when the management determines that the receivables and balances are uncollectible. This is determined after all possible efforts of collecting the amounts have been exhausted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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**4. RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

***Collateral***

The Group holds collateral against certain receivables and balances from financing activities in the form of mortgage/ pledge over property, listed/ unlisted securities, other assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and updated periodically, generally at annual intervals. Collateral generally is not held against exposure to other banks and financial institutions.

***Concentration risk***

Concentration risk is any single exposure or group of exposures with the potential to produce losses large enough to threaten the Group's health or ability to maintain its core operations. Such concentrations include:

- Significant exposures to an individual counterparty or group of related counterparties;
- Credit exposures to counterparties in the same economic sector or geographical region;
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity; and
- Indirect credit exposures arising from the Group's credit risk mitigation activities (e.g. exposure to a single collateral type or to credit protection provided by a single counterparty).

The Board has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate credit department, reporting to Credit Committee, is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, compliance with QCB regulations for its banking activities and other regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Credit Head, Credit Committee or the Board as appropriate;
- Reviewing and assessing credit risk. Credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by business unit concerned. Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to counterparties, geographies and industries (for receivables and balances from financing activities and balances and investments with banks and financial institutions), and by issuer, credit rating band, market liquidity and country (for available-for-sale securities);
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks;
- Collateralising the exposures by adequate tangible and intangible collateral including guarantees (personal or corporate; as appropriate);
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to credit department on the credit quality of local portfolios and appropriate corrective action is taken.

**(ii) Liquidity risk**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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**4. RISK MANAGEMENT (CONTINUED)**

**(ii) Liquidity risk (continued)**

*Management of liquidity risk for banking and financial services*

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short term liquid assets, largely made up of inter bank facilities to ensure that sufficient liquidity is maintained within the Group as whole. The Group also maintains statutory reserves with Qatar Central Bank.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval of MANCO and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to MANCO and ALCO.

The Group relies on customer deposits and unrestricted investment accounts along with the owners' equity contributions as its primary sources of funding. While the Group's customer deposits and unrestricted investment accounts have a mix of maturities, a large portion of them are repayable on demand. The short term nature of these deposits and accounts increases the liquidity risk and the Group actively manages this risk through maintaining competitive pricing and content monitoring of market trends.

**(iii) Market risk**

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(a) Currency risk**

The Group is exposed to high currency risk on transactions with related parties and borrowings that are denominated in a currency other than the respective functional currency, mainly EURO, EGP, CHF, USD, and GBP.

The Group's management enters into financial instruments to securing its position against the fluctuations in different foreign currencies using a base currency of USD that is pegged to Qatari Riyal.

In respect of other monetary assets and liabilities denominated in foreign currencies, the forward deals entered into by the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**(b) Finance cost (profit) rate risk**

The Group adopts a policy of ensuring that finance cost rates on Islamic financing contracts and finance cost rate exposures are reviewed quarterly, and that finance cost rates are not subject to present fluctuations.

**4. RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk (continued)**

**(c) Equity price risk**

Equity price risk is the risk that the fair value of equity securities decreases as the result of adverse changes in equity prices or indices, or fair value in the case of unquoted equities. Equity price risk arises from Group's investment portfolio. The Group conducts significant investment activity in private equity, mainly in unquoted entities. The Group manages this risk through diversification of its investments in terms of geographical distribution and industry concentration and by arranging representation on the Board of Directors within the investee company, wherever possible. Investments are managed within maximum concentration risk limits, approved by the Board of Directors of the Group.

**(iv) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

**(v) Other risks**

Other risks to which the Group is exposed are regulatory risk, legal risk, and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Group, with guidelines and policies being issued as appropriate.

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

**4. RISK MANAGEMENT (CONTINUED)**

**Capital management (continued)**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

*The details of the financial risk management and tools are described in Note 47.*



**BARWA REAL ESTATE INVESTMENT COMPANY Q.S.C.**

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**5. CASH AND CASH EQUIVALENTS**

	<b>2010</b>	2009
Cash in hand	1,933	79
<i>Cash in banks and other financial institutions</i>		
Cash in vaults	8,665	7,497
Cash at ATM	12,923	9,166
Reserve account with Qatar Central Bank (Note i)	126,525	51,219
Wakala placements with Islamic banks (Note ii)	1,931,738	942,500
Fixed deposits	6,654,029	321,876
Current accounts	999,343	425,834
Call accounts	3,213,878	163,546
Margin bank accounts	34,111	6,277
<b>Total cash and banks</b>	<b>12,983,145</b>	<b>1,927,994</b>
Less: restricted bank balances (Note iii)	(160,636)	(57,496)
<b>Cash and cash equivalents</b>	<b>12,822,509</b>	<b>1,870,498</b>

*Note i*

The reserve account with the Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group's day-to-day operations.

*Note ii:*

Short term Wakala placements are with maturities of less than 3 months, represented in the following:

	<b>2010</b>	2009
Current accounts	96,936	-
Wakala placements with Islamic banks	1,711,106	942,500
Saving accounts with Islamic banks	123,696	-
	<b>1,931,738</b>	<b>942,500</b>

*Note iii*

Restricted bank balances represents the reserve account with the Qatar Central Bank and the margin bank accounts above.

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2010</b>	2009
At 1 January	4,073	3,987
Purchases of investments during the year	93	-
Unrealized fair value adjustment on re-measurement	(207)	86
<b>At 31 December</b>	<b>3,959</b>	<b>4,073</b>

7. TRADING PROPERTY

Trading property represents pieces of land held by the Group for sale in the ordinary course of business.

8. RECEIVABLES AND PREPAYMENTS

	2010	2009
Receivable from Qatari Government (Note i)	-	325,000
Trade receivable	386,718	191,817
Dividends and banks profits receivable	80,940	247,768
Receivables under escrow accounts (Note ii)	32,520	56,740
Withholding and value added taxes	17,379	-
Prepaid expenses	174,719	170,462
Refundable deposits	18,424	16,871
Staff receivables	26,186	25,493
Other receivables	49,234	15,999
Gross receivables and prepayments	786,120	1,050,150
Less: Provision for doubtful debts	(2,129)	-
	<b>783,991</b>	<b>1,050,150</b>

Note i:

The Company, under the directives from the State of Qatar, established a convention centre in Doha, which was transferred for the occupation and utilization of Qatari Government during the prior years. The Company has submitted a representation to the State of Qatar for reimbursement of fair value of the transferred property in an amount of QR 325 million which was approved by the authorities accordingly, and was collected during the current year (Note 35).

Note ii:

Receivables under escrow accounts represent amounts relating to the subsidiary, Barwa Luxemburg, in remission of accrued loan's finance costs.

The Group's exposure to credit and currency risks and impairment losses related to receivables and prepayments are disclosed in Note 47.

*Receivables and prepayments are segregated between non-current and current portions as follows:*

2010	Non-current	Current	Total
Trade receivable (net)	129,268	255,321	384,589
Dividends and banks profits receivable	-	80,940	80,940
Receivables under escrow accounts	-	32,520	32,520
Withholding and value added taxes	-	17,379	17,379
Prepaid expenses	-	174,719	174,719
Refundable deposits	18,424	-	18,424
Staff receivables	26,186	-	26,186
Other receivables	-	49,234	49,234
	<b>173,878</b>	<b>610,113</b>	<b>783,991</b>

**8. RECEIVABLES AND PREPAYMENTS (CONTINUED)**

*Receivables and prepayments maturities (continued):*

2009	Non-current	Current	Total
Receivable from Qatari Government	-	325,000	325,000
Trade receivable	129,268	62,549	191,817
Dividends and banks profits receivable	-	247,768	247,768
Receivables under escrow accounts	-	56,740	56,740
Prepaid expenses	-	170,462	170,462
Refundable deposits	16,871	-	16,871
Staff receivables	25,493	-	25,493
Other receivables	-	15,999	15,999
	171,632	878,518	1,050,150

**9. AVAILABLE FOR SALE FINANCIAL ASSETS**

*a) The details of the available for sale financial assets are as follows:*

	2010	2009
<i>Investments in equity securities</i>		
Quoted	224,915	187,511
Unquoted	996,375	729,340
<i>Investments in debt securities</i>		
Quoted	278,168	-
Unquoted	1,250,000	-
	<b>2,749,458</b>	<b>916,851</b>

*b) The movement on available for sale financial assets during the year is as follows:*

	2010	2009
Balance at 1 January	916,851	1,853,507
Cost of acquired investments	1,452,437	41,738
Acquired through business combination	357,626	183,983
Transferred from advances for purchase of investments	329,940	58,448
Fair value of sold investments	(193,521)	(1,025,608)
Transferred to investment in associate (Note 16)	-	(156,505)
Transferred to investment in subsidiaries upon new acquisitions	(1,040)	(20,000)
Net fair value adjustments for the year	(214,125)	(18,712)
Impairment loss transferred to profit or loss for the year	101,524	-
Translation adjustments	(234)	-
<b>Balance at 31 December</b>	<b>2,749,458</b>	<b>916,851</b>

The Group's exposure to credit and currency related to available for sale investments is disclosed in Note 47.

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10. DUE FROM CUSTOMERS UNDER ISLAMIC FINANCING

	2010	2009
<i>By Industry:</i>		
Consumer	1,475,830	1,457
Real estate	515,484	536,405
Contracting	46,442	-
Industry	34,894	-
Trading	439,107	-
Government	774	-
Others	55,210	9,028
	<b>2,567,741</b>	<b>546,890</b>
Deferred profits	(319,995)	(35,911)
Provision for impairment	(195,104)	-
Profit in suspense	(58,860)	-
	<b>1,993,782</b>	<b>510,979</b>
<i>By Customer:</i>		
Retail	1,503,485	1,457
Corporate	1,064,256	545,433
	<b>2,567,741</b>	<b>546,890</b>
Deferred profits	(319,995)	(35,911)
Provision for impairment	(195,104)	-
Profit in suspense	(58,860)	-
	<b>1,993,782</b>	<b>510,979</b>

The total non-performing receivables and balances from financing activities at 31 December 2010 amounted to QR 460.1 million, representing 18% of the gross receivables and balances from financing activities (2009 : Nil, representing 0%).

Movement in provision for impairment of receivables and balances from financing activities is as follows:

	2010	2009
Balance at the beginning of the year	-	-
Provisions transferred due to business combination	198,819	-
Charge for the year	17,451	-
Reversed during the year	(20,475)	-
	(3,024)	-
Written down during the year	(691)	-
Balance at 31 December	<b>195,104</b>	-

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10. DUE FROM CUSTOMERS UNDER ISLAMIC FINANCING (CONTINUED)

Movement in provision for profit in suspense and balances from financing activities is as follows:

	2010	2009
Balance at the beginning of the year	-	-
Provisions transferred due to business combination	45,082	-
Charge for the year	16,062	-
Reversed during the year	(2,279)	-
	13,783	-
Written down during the year	(5)	-
Balance at 31 December	<b>58,860</b>	-

11. FINANCE LEASE RECEIVABLES

*Maturities of the finance lease receivables are illustrated in the following:*

	2010	2009
Less than one year	354,622	-
Between 1 and 5 years	1,376,071	-
More than 5 years	1,011,026	-
<b>Gross receivables from finance leases</b>	<b>2,741,719</b>	-
Unearned finance lease income	(935,078)	-
<b>Net finance lease receivable</b>	<b>1,806,641</b>	-

*Movement on finance lease receivables during the year is illustrated as follows:*

	2010	2009
Acquired through business combinations	1,463,540	-
Transferred from property under development (Note 13)	475,110	-
Rent collected	(146,943)	-
Transferred to receivables	(127,695)	-
Realized finance lease income	142,629	-
<b>At 31 December</b>	<b>1,806,641</b>	-

The minimum lease receipts are discounted at the implicit rates as mentioned in the lease agreements. Income from Finance Leases is recognized based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the Finance Lease.

Finance lease receivables are unsecured. Included in the gross finance lease receivables is an amount of QR 1,723 million pledged as security against the USD 270 million Sukuk Al Musharakah.

Approximately 94% of the total finance lease receivables balance as at 31 December 2010 is due from Qatar Petroleum.

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**12. ADVANCES FOR PROJECTS AND INVESTMENTS**

	<b>2010</b>	<b>2009</b>
Advances to subcontractors and suppliers	1,641,919	1,698,619
Advances for purchase of investments	129,408	399,355
Advances for purchase of property	2,193,474	180,460
Advances against exchange of land (Note i)	1,836,459	1,400,000
Refundable advances	727,722	-
	<b>6,528,982</b>	<b>3,678,434</b>
Less: provision for impairment of advances (Note 39)	(480,571)	-
	<b>6,048,411</b>	<b>3,678,434</b>

The advances above are to be utilized in non-current assets, except for the refundable advances which are expected to be collected during 2011.

*Note i:*

During the year 2008, the Qatari Government withdrew a piece of land located in Al-Khour district which was owned by the Group and other related parties. The Government committed to provide another plot of land located in Salwa district to the Group in exchange of the withdrawn land. The Group paid the above advances to the related parties participating in ownership of the withdrawn land in order for the Group to fully own the land to be received from the Government. The Government has specified the plot of land to be received in exchange of the withdrawn plot of land, and the land transfer formalities are in process up to the financial statements date.

The Group's exposure to credit and currency risks and impairment losses related to advances for projects and investments are disclosed in Note 47.

**13. PROPERTY UNDER DEVELOPMENT**

Property under development represents capitalized costs relating to the Group's local and international real estate development projects. Movements on the property under development during the year were as follows:

	<b>2010</b>	<b>2009</b>
At 1 January	14,580,281	10,472,637
Subsequent development costs and additional acquired property	6,242,699	6,127,502
Property acquired in business combinations	15,137,888	237,303
Capitalized finance cost (Note i)	523,009	493,893
Land received as in-kind contribution from Government (Note 44-a)	540,232	-
Government grant related to projects costs (Note 35)	(73,000)	-
Cost of projects transferred to investment property (Note 15)	(1,703,233)	(2,635,964)
Cost of projects transferred to property, plant and equipment (Note 18)	(57,865)	-
Property under development for sold subsidiaries	-	(115,090)
Reduction in area of previously acquired land (Note 23)	(181,212)	-
Cost of property sold under finance leases (Note 11)	(475,110)	-
Cost of directly sold property under development	(278,677)	-
Impairment loss on property under development (Note ii) – (Note 39)	(2,386,149)	-
Translation adjustment	(297,759)	-
<b>At 31 December</b>	<b>31,571,104</b>	<b>14,580,281</b>

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13. PROPERTY UNDER DEVELOPMENT (CONTINUED)

*Note i:*

Capitalized finance cost is calculated based on the actual qualifying expenditures related to the projects under development. Finance cost is capitalized using the Group's weighted average finance cost rate of 6 % (2009: 6.27%).

*Note ii:*

The Group undertook impairment testing model for the cost of its property under development at year end, which revealed that the fair values less costs to sell being the recoverable amounts were lower than the carrying amounts of some of the projects of the Group as of that date. Cash generating units used for the impairment testing were determined for each project. Local and foreign accredited property appraisers were engaged to provide relevant commercial and marketing input to this process and to advise on current market trends in areas such as achievable market prices.

14. RELATED PARTY TRANSACTIONS

Related parties represent major minority holders in the subsidiaries, associated companies, entities where the Group is one of their founders, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The ultimate controlling party of the Group is Qatari Diar Real Estate Investment Company Q.S.C. ("Qatari Diar"), a 45% shareholder in the Group.

a) Due from related parties

Nature of relationship with related party	2010	2009
Associate entities	26,769	2,919,177
Non-controlling interests	97,445	72,665
Key management personnel	46,596	22,079
Affiliated entities	11,360	-
Other related parties	4,164	36,715
	<b>186,334</b>	<b>3,050,636</b>

*Due from related parties are segregated between non-current and current portions as follows:*

2010	Non-current	Current	Total
Associate entities	9,076	17,693	26,769
Non-controlling interest	97,445	-	97,445
Key management personnel	46,596	-	46,596
Affiliated entities	-	11,360	11,360
	<b>157,281</b>	<b>29,053</b>	<b>186,334</b>

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Due from related parties (continued)

2009	Non-current	Current	Total
Associate entities	2,110,860	808,317	2,919,177
Non-controlling interests	-	72,665	72,665
Key management personnel	-	22,079	22,079
Affiliated entities	-	-	-
Other related parties	-	36,715	36,715
	2,110,860	939,776	3,050,636

b) Due to related parties

Name of related party and nature of relationship	2010	2009
Qatari Diar (Note i)	19,947,105	114,591
Associate entities	3,804,345	124,506
Non-controlling interests	130,430	226,622
Other related parties	6,580	633
	23,888,460	466,352

*Due to related parties are segregated between non-current and current portions as follows:*

2010	Non-current	Current	Total
Qatari Diar (Note i)	14,487,105	5,460,000	19,947,105
Associate entities	245,311	3,559,034	3,804,345
Non-controlling interests	121,585	8,845	130,430
Other related parties	-	6,580	6,580
	14,854,001	9,034,459	23,888,460

*Note i:*

Effective 21 July 2010, the Group has obtained, through one of its subsidiaries, an Islamic finance - Murabha with an amount of USD 3.5 billion (equivalent to QR 12.72 billion) from Qatari Diar to help finance the construction of certain projects of the Group. The Islamic finance is non-secured. The facility will be repaid in two tranches amounting to USD 1 Billion and USD 2.5 Billion on 21 July 2015 and 21 July 2020 respectively.

In addition to the above, Barwa raised in February 2010 one year bridge Murabha facility (as a bridge for the above mentioned facility) for USD 1.5 billion (equivalent to QR 5.46 billion) provided by Qatari Diar. The facility was outstanding as at 31 December 2010 and was fully repaid in February 2011 using the existing cash and bank balances of the Group.



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**14. RELATED PARTY TRANSACTIONS (CONTINUED)**

**b) Due to related parties (continued)**

2009	Non-current	Current	Total
Qatari Diar	-	114,591	114,591
Associate entities	124,506	-	124,506
Non-controlling interests	220,811	5,811	226,622
Other related parties	-	633	633
	<b>345,317</b>	<b>121,035</b>	<b>466,352</b>

**c) Compensation of key management personnel**

	2010	2009
Board of directors' remuneration (Parent)	1,500	1,500
Total key management staff benefits (group basis)	67,002	36,664
	<b>68,502</b>	<b>38,164</b>

**d) Related party transactions charged to the consolidated statement of comprehensive income**

<u>Gains on sale of assets</u>	2010	2009
Gain on sale of subsidiary	-	11,916
Gain on sale of subsidiary / property (Qatari Diar)	-	164,634
Management fees income (Qatari Diar)	-	4,068

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**15. INVESTMENT PROPERTY**

	<b>2010</b>	2009
At 1 January	5,799,670	1,506,218
Newly acquired property and subsequent capitalized expenditures	1,118,242	383,676
Acquired through business combinations	3,930,682	-
Property received against increase in share capital (Note 27)	1,598,812	-
Property received against advances for purchase of property	180,460	-
Carrying amount of sold investment property (Note 35)	(2,005,746)	-
Transfers from property under development (Note i / Note 13)	1,703,233	2,635,964
Capitalized finance costs (Note ii)	86,336	-
Government grant related to projects costs (Note 35)	(124,000)	-
Reduction in the cost of the property as a result of reversed liability (Note iii)	(8,000)	-
Gain from fair value adjustment	376,123	1,261,304
Translation adjustments	(52,976)	12,508
	<b>12,602,836</b>	<b>5,799,670</b>

The carrying amount of investment property is the fair value of the property as determined by independent accredited appraisals for the local and foreign investment properties. Fair value was determined having regard to the location of the property, space, future economy of the area compared with other areas as well as current Qatari and European market prices for transactions in similar properties in the same locations.

*Note i:*

During the current year, the Group started operating two projects for rental property. Accordingly the cost of these projects was transferred to investment property and accounted for under the fair value model.

*Note ii:*

Capitalized finance cost is calculated based on the actual qualifying expenditures related to the projects under development. Finance cost is capitalized using the Group's weighted average finance cost rate of 6%.

*Note iii:*

Effective 28 March 2010, the Group concluded a final settlement agreement with the previous owner of one of the Group's property, Somerset Tower, under which the previous owner withdrew his legal claims against the Parent with relation to QR 8 million claimed amount from his side, which was included in the property's cost up to 31 December 2009. The settlement resulted in derecognition of the liability due to the previous owner in the records of the Group against reversing the same amount from the Property's cost during the current year.

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**16. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES**

a) The outstanding balances of the investments in equity accounted investees are represented as follows:

<i>Name of investee and country of incorporation</i>	<i>Ownership</i>	<b>2010</b>	<b>2009</b>
<b><i>Associates</i></b>			
Nozol Holding Company B.S.C.C. – Bahrain	39%	165,955	152,734
Panceltica Holding Limited – UK (Note ii)	26%	200,935	200,935
Marafeq Qatar Company W.L.L. – Qatar	25%	1,464	5,809
Al Imtiaz Investment Company – Kuwait	25%	325,721	580,730
Emdad Leasing Equipment Company – Qatar	38%	62,806	16,500
Al Dhaman for Islamic Insurance – Qatar	20%	40,269	40,400
Smeet Investment Company W.L.L.	47%	272,050	-
Asas Real Estate Company W.L.L.	50%	933,702	-
Fareej Real Estate Company C.Q.S.C.	33%	135,470	-
Beaucraft W.L.L.	35%	361	-
Barwa Al-Khour W.L.L.- Qatar		-	953,073
Barwa Al-Baraha Real Estate Company – Qatar		-	10,761
First Leasing Company W.L.L. – Qatar		-	93,629
Bait Al Mashura Financial Consulting Company– Qatar		-	411
		<b>2,138,732</b>	<b>2,054,982</b>
Less: provision for impairment of an associate		<b>(200,935)</b>	<b>(200,935)</b>
		<b>1,937,797</b>	<b>1,854,047</b>

*Note i:*

The Group share of losses in the associate Ottoman Gayrimenkul A.S. – Turkey, exceeded its interest in the associate up to 31 December 2010 by QR 2,804 thousand (2009: QR 12,768 thousand), for which a provision against the excess losses was established due to the Group's constructive obligations made on behalf of the associate.

*Note ii:*

The Group management decided to fully impair the investment in associate balance for Panceltica Holding Limited during the prior year based on the results of an impairment testing.

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16. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (CONTINUED)

b) The movement on the investments in equity accounted investees during the year are represented as follows:

	2010	2009
Balance at 1 January	1,854,047	828,499
Establishment of new associates	250,002	47,900
Acquisition of an associate	-	458,681
Additional investments in existing associates	35,436	418
Provision for excess losses from an associate	(9,965)	12,768
(Unrealized) / Realized profit on downstream sale to associate	(375,769)	11,916
Associates acquired in business combinations (Note 43)	1,078,230	42,911
Provision for impairment loss of Panceltica	-	(200,935)
Sale of joint venture	-	(388,230)
Associates transferred to subsidiaries (Note 43)	(1,086,936)	-
Dividend received from associates	(24,403)	-
Share of fair value reserve of an associate	(500)	7,425
Share of net results of operations	217,655	1,032,694
	<b>1,937,797</b>	<b>1,854,047</b>

Reconciliation to the share of net results from associates reported in the statement of comprehensive income is as follows:

	2010	2009
Provision for excess losses from an associate	(9,965)	12,768
(Unrealized) / Realized profit on downstream sale to associate	(375,769)	11,916
Share of net results of operations	217,654	1,008,010
	<b>(168,080)</b>	<b>1,032,694</b>

17. GOODWILL

Details of the movement on goodwill balance during the year are as follows:

	2010	2009 Restated
At 1 January	123,388	97,547
Goodwill resulting at acquisition of subsidiaries (Note 43)	407,176	98,052
Impairment of goodwill	(118,535)	(69,027)
Translation adjustments	1,780	(3,184)
	<b>413,809</b>	<b>123,388</b>

17. GOODWILL (CONTINUED)

Details of goodwill recognized on consolidated entity level at the reporting date is as follows:

	2010	2009 Restated
Cavendish Capital acquired subsidiaries	26,103	24,322
Quality International Qatar	7,303	7,303
The First Investor	91,763	91,763
Qatar Real Estate Investment	126,411	-
Park House	135,742	-
Kayan United Real Estate	456	-
Barwa Al-Baraha	9,343	-
First Finance	2,019	-
First Leasing	14,669	-
	<b>413,809</b>	<b>123,388</b>

*Estimates used to measure recoverable amounts of cash-generating units containing goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 48).

The value in use calculations were lower than the carrying amounts of the CGUs for one of the wholly owned subsidiaries included in the other GCC operating segment by QR 211,535 thousand at the end of the year, out of which QR 118,535 thousand of goodwill attributed to the same CGU was impaired, and the residual impairment of QR 93 million was written down from the property under development of this CGU.

There was no recognized impairment loss on goodwill as a result of the impairment tests performed at year end for the other CGUs of the Group.

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**18. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Furniture and Fixtures	Motor vehicles	Computers software and hardware	Office equipment	Leasehold improvements	Projects in progress	Total 2010	Total 2009
<b>Cost</b>										
At 1 January	106,630	67,530	83,316	1,870	42,746	63,087	312,356	695,040	1,372,575	1,032,211
Acquired through business combinations	30,187	14,327	8,916	14,917	17,477	14,075	852	-	100,751	13,472
Additions	34,958	11	9,139	3,113	31,400	33,306	9,741	73,063	194,731	302,120
Transferred from property under development (Note 13)	-	-	-	-	-	-	57,865	-	57,865	-
Transferred from projects in progress	-	-	387	-	9,534	-	17,391	(27,312)	-	-
Disposals	-	-	(2,196)	(569)	(28)	(167)	-	-	(2,960)	(2,968)
Translation adjustment	(6,469)	(3,136)	(169)	(27)	(238)	(440)	(4,977)	(143)	(15,599)	27,740
At 31 December	165,306	78,732	99,393	19,304	100,891	109,861	393,228	740,648	1,707,363	1,372,575
<b>Accumulated depreciation</b>										
At 1 January	-	3,794	28,394	805	16,000	5,038	26,447	501	80,979	22,346
Acquired through business combinations	-	2,580	5,794	7,263	4,156	4,470	529	-	24,792	-
Charge for the year	-	2,411	15,672	2,821	21,893	9,720	38,436	910	91,863	51,836
Disposals	-	-	(1,045)	(221)	(15)	(88)	-	-	(1,369)	(723)
Impairment losses (Note 39)	-	-	-	-	6,066	-	-	709,191	715,257	-
- Note i	-	(221)	611	(55)	(67)	(191)	(370)	(54)	(347)	7,520
Translation adjustment	-	8,564	49,426	10,613	48,033	18,949	65,042	710,548	911,175	80,979
At 31 December	-	8,564	49,426	10,613	48,033	18,949	65,042	710,548	911,175	80,979
<b>Net carrying amount</b>										
31 December 2010	165,306	70,168	49,967	8,691	52,858	90,912	328,186	30,100	796,188	-
31 December 2009	106,630	63,736	54,922	1,065	26,746	58,049	285,909	694,539	-	1,291,596

Capitalized finance cost amounting to QR 20,803 thousand (2009: 43,718 thousand) was calculated based on the actual qualifying expenditures related to the projects in progress. Finance cost is capitalized using the Group's weighted average finance cost rate of 6% (2009: 6.27%).

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18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note i:

Based on review of impairment for property, plant and equipment items carried at year-end, the Group management indicated that the carrying amounts of certain items included in projects in progress and computers software, amounting to QR 709,191 thousand and QR 6,066 thousand respectively, may not be recoverable in future periods as the carrying values exceeded the estimated recoverable amounts based on the impairment testing, hence total amount of QR 715,257 thousand was charged to profit or loss for the year as impairment losses.

19. PAYABLES AND ACCRUALS

	2010	2009
Subcontractors and suppliers	1,749,998	1,452,699
Retention payable	490,068	368,327
Accrued expenses	337,645	60,207
Accrued finance cost	712,460	648,152
Deferred revenue for transfer of property (Note 35)	676,100	-
Clients advances and unearned income	70,821	108,967
Customers banking current accounts	120,890	7,064
Employees end of services benefits	52,154	20,367
Payable to Government of the State of Qatar (Note 44-a)	18,794	-
Other payables	145,306	73,983
	<b>4,374,236</b>	<b>2,739,766</b>

*Payables and accruals are segregated between non-current and current portions as follows:*

2010	Non-current	Current	Total
Subcontractors and suppliers	-	1,749,998	1,749,998
Retention payable	490,068	-	490,068
Accrued expenses	-	337,645	337,645
Accrued finance cost	128,501	583,959	712,460
Deferred revenue for transfer of property	676,100	-	676,100
Clients advances and unearned income	-	70,821	70,821
Customers banking current accounts	-	120,890	120,890
Employees end of services benefits	52,154	-	52,154
Payable to Government of the State of Qatar	18,794	-	18,794
Other payables	-	145,306	145,306
	<b>1,365,617</b>	<b>3,008,619</b>	<b>4,374,236</b>

19. PAYABLES AND ACCRUALS (CONTINUED)

2009	Non-current	Current	Total
Subcontractors and suppliers	-	1,452,699	1,452,699
Retention payable	368,327	-	368,327
Accrued expenses	-	60,207	60,207
Accrued finance cost	581,647	66,505	648,152
Clients advances and unearned income	-	108,967	108,967
Employees end of services benefits	20,367	-	20,367
Customers banking current accounts	-	7,064	7,064
Other payables	-	73,983	73,983
	970,341	1,769,425	2,739,766

The Group's exposure to currency and liquidity risk related to payables and accruals is disclosed in Note 47.

20. PLACEMENTS FROM FINANCIAL INSTITUTIONS

	2010	2009
Murabaha payable	-	10,315
Musawama payable (Note i)	37,739	-
Wakala payable (Note ii)	1,683,030	78,271
	1,720,769	88,586

*Note i:*

Musawama payable is a 3 year credit facility repayable in quarterly instalments, and carries a profit rate equal to the repo rate plus 4% per annum.

*Note ii:*

Wakala payable includes various facilities with maturities ranging from 1 month – 2 years and carries a profit rate 1% – 2% for fixed rate Wakalas and repo rate plus 3% – 3.5% per annum for variable rate Wakalas.



21. UNRESTRICTED INVESTMENTS ACCOUNTS FOR ISLAMIC BANKING CONTRACTS

	2010	2009
<i>By term:</i>		
Saving accounts	25,064	12,426
Term accounts	2,594,861	1,062,098
Call accounts	2,192	-
	<b>2,622,117</b>	1,074,524
Share of unrestricted investments accounts in profit	86,409	14,204
	<b>2,708,526</b>	1,088,728
<i>By sector:</i>		
Retail	2,011,422	1,074,524
Corporate	610,695	-
	2,622,117	1,074,524
Share of unrestricted investments accounts in profit	86,409	14,204
	<b>2,708,526</b>	1,088,728

Details of share of unrestricted investments accounts in profit is as follows:

	2010	2009
<i>By term:</i>		
Saving accounts	287	56
Call accounts	725	-
1 month	1,694	1
3 months	3,479	3
6 months	605	4
12 months	79,619	14,140
	86,409	14,204

The share of unrestricted investment accounts in profit has been calculated on a provisional basis by the Group's subsidiary, Barwa Bank, on the basis of expected profit rates with no deduction of Mudarib fees.

**22. DERIVATIVE INSTRUMENTS AND CASH FLOW HEDGES****a) Derivative instruments designated for cash flow hedges**

During the prior years, the Parent entered into several profit rate swap agreements with local banks in place with total notional amounts of USD 1.610 billion, that is fixed all over the swaps tenures, whereby the Parent receives variable rate equal to 3 month USD LIBOR and pays fixed rate ranging between 3.42% and 4.11% on the fixed notional amounts. Profit is settled under the agreements on a quarterly basis. The swaps were initially designated to hedge the exposure to the fluctuations on the variable portion (LIBOR) of the profit rates on certain borrowings. The borrowings and related profit rate swaps had the same critical terms at initial designation of the hedge at the beginning of the year 2008. However and as significant portions of the hedged items amounting to USD 812.5 million were settled during the year 2009, the related hedged relationships with the initially designated profit rate swap agreements were deemed ineffective by the end of the comparative year.

In addition, the newly acquired subsidiary, QREIC, entered into Islamic profit rate swap agreements with several financial institutions to limit its exposure to profit rate fluctuations on its USD 270 million Sukuk Al Musharakah and USD 300 million Sukuk Al Mudarabah. Whereby QREIC receives variable rate equal to 3 month USD LIBOR and pays fixed rate ranging between 3.89% and 5.63% on the fixed notional amounts stipulated in the profit rate swap agreements. Profit is settled under the agreements on a quarterly basis. The swaps were initially designated to hedge the exposure to the fluctuations on the variable portion (LIBOR) of the profit rates on 50% of the above mentioned two borrowings. The borrowings and related profit rate swaps have the same critical terms.

The fair values of the profit rate swaps designated for cash flow hedges are calculated by reference to the market valuation of the swap agreements, and the cash flows hedge effectiveness is tested by the end of each reporting period.

The Group has recognized the unrealized loss on effective portion of the profit rate swaps amounting to QR 25,728 thousand as at 31 December 2010 in the cash flow hedge reserve. The realized amounts from the negative net settlement positions from those designated swaps during the year amounting to QR 40,428 thousand was charged to the consolidated statement of comprehensive income for the year ended 31 December 2010.

**b) Derivative instruments not designated for hedges**

The Parent entered into other derivative profit rate swap agreements with banks for the purpose of future profit rate hedging the results of fluctuations in profit rate swaps, with initial notional amounts of USD 1.090 billion, which hedging relationship was deemed ineffective upon settlement of the hedged borrowings in the year 2009. Under those swap agreements, the Parent receives variable rate equal to 3 month USD LIBOR and pays fixed rate average of 3.66% on the fixed notional amounts subject to caps and floors.

The fair values of those profit rate swaps amounted to QR 622,194 thousand as at 31 December 2010 (2009: QR 250,539 thousand), were calculated by reference to the market valuation of the swap agreements, and the increase in fair value of the profit rate swaps was charged to the consolidated statement of comprehensive income for the year as unrealized loss on derivative instruments. While the realized amounts charged to the consolidated profit or loss relating to those derivatives during the year is amounting to QR 677,523 thousand.

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22. DERIVATIVE INSTRUMENTS AND CASH FLOW HEDGES (CONTINUED)

22.c. Sensitivity analysis for derivative instruments

A 50 basis points increase / (decrease) in the forward curve used in the Company's calculation for derivative instruments as at 31 December 2010, would have increased / (decreased) consolidated equity and consolidated profit or loss by the amounts shown below:

2010

	Equity		Profit or loss	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Derivatives designated for cash flow hedges	263,128	(263,128)	-	-
Non-designated derivatives for hedges	258,263	(258,263)	258,263	(258,263)
<b>Cash flow sensitivity (net)</b>	<b>521,391</b>	<b>(521,391)</b>	<b>258,263</b>	<b>(258,263)</b>

2009

	Equity		Profit or loss	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Derivatives designated for cash flow hedges	15,464	(14,388)	-	-
Non-designated derivatives for hedges	115,842	(145,346)	115,842	(145,346)
<b>Cash flow sensitivity (net)</b>	<b>131,306</b>	<b>(159,734)</b>	<b>115,842</b>	<b>(145,346)</b>

23. LIABILITIES FOR PURCHASE OF LAND

	2010	2009
New Cairo land (Note i)	2,870,119	3,432,151
Al-Khour Land (Note ii)	402,548	-
	<b>3,272,667</b>	<b>3,432,151</b>

The balance is segregated between current and non-current at the reporting date as follows:

	2010	2009
Current portion	795,722	83,137
Non-current portion	2,476,945	3,349,014
	<b>3,272,667</b>	<b>3,432,151</b>

Note i:

Effective 10 October 2007, the Group acquired a piece of land located in New Cairo from the Egyptian Ministry of Housing and Building Development. The initial purchase price was amounting to EGP 6,101 million (QR 4,244 million) as of that date. In accordance with the initial contract, equal principal payment instalments were due on a quarterly basis starting from 16 May 2008 up to 16 May 2017. Finance cost is added on such principal instalments at the effective rate declared by Central Bank of Egypt as of payment dates.

**23. LIABILITIES FOR PURCHASE OF LAND (CONTINUED)**

*Note i (continued)*

Effective 26 January 2009, the Egyptian Urban Planning Authority formally declared unwinding of initially scheduled payment terms through deferral of 75% from the instalments due from 1 November 2008 and up to 31 December 2009, and 75% of the interest thereon, as for both the deferred principal and interest thereon are to be paid as final instalment due after 12 months from the last initial scheduled instalment, i.e. 16 May 2018. The Group recognized QR 294,655 thousand as gain on restructure of debt during the prior year as a result of the above mentioned changes in the initial repayment schedule, representing the difference between the present value of the deferred instalments, accrued interest thereon up to 26 January 2009, the carrying amounts of those instalments and accrued interest as previously recorded by the Group. The Group discounted the deferred instalments and accrued interest thereon using 10% discount rate, representing the same finance cost charged by the Egyptian Urban Planning Authority.

Furthermore, the Group has been given during the year 2009 additional adjacent piece of land (41 acres) for purchase consideration amounting to QR 244 million, paid as QR 102 million advance payment to the Egyptian Urban Planning Authority and increased the liability on the purchase of land by the residual QR 142 million as at 31 December 2009.

Effective 26 January 2010, Barwa New Cairo, a fully owned subsidiary by the Group, entered into a new agreement with the Egyptian Planning Authority to settle off reduction in area of the above initially acquired plot of land. Both parties have agreed to refund Barwa with the difference in the instalments paid up to the agreement date and reschedule the instalments to be paid accordingly.

The reduction in the acquired land cost is amounting to EGP 198,066 thousand (equivalent to QR 181,212 thousand) which was reduced from both of the property under development and liabilities for purchase of land as at 31 December 2010.

*Note ii:*

Effective 31 October 2010, the Group purchased a piece of land located in Al-Khour for total purchase consideration of QR 1,309,248 thousand, out of which QR 402,548 thousand was outstanding at year-end.

**24. OBLIGATIONS UNDER ISLAMIC FINANCING CONTRACTS**

*a) The movements on the obligations under Islamic financing contracts during the year were as follows:*

	2010	2009
At 1 January	20,050,837	12,476,365
Assumed through business combinations (Note 43-A)	3,738,368	-
Additional facilities obtained during the year	16,286,036	11,131,617
Discharged by Government (Note 35)	(4,300,000)	-
Repayments of outstanding facilities during the year	(11,531,958)	(3,565,301)
Translation adjustment	(64,332)	8,156
<b>At 31 December</b>	<b>24,178,951</b>	<b>20,050,837</b>

**BARWA REAL ESTATE COMPANY Q.S.C.**

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**24. OBLIGATIONS UNDER ISLAMIC FINANCING CONTRACTS (CONTINUED)**

*b) Obligations under Islamic financing contracts are segregated between non-current and current maturity periods as follows:*

	2010	2009
Non-current portion	6,957,101	6,067,569
Current portion	17,221,850	13,983,268
	<b>24,178,951</b>	<b>20,050,837</b>

*c) Terms and conditions of the outstanding facilities were as follows:*

Type of facility	Currency	Profit rate charged by banks	2010	2009
Secured facility	QR	REPO rate	-	1,200,000
Secured facilities (Note i)	EURO	3m €BOR	896,816	973,583
		swap		
Unsecured facilities	QR	REPO rate	17,162,533	12,808,560
Unsecured facilities	AED	3m EIBOR	510,520	509,594
Unsecured facilities (Note ii)	USD	3m LIBOR	5,589,854	4,559,100
Unsecured facilities	ID	3.89%	19,228	-
			<b>24,178,951</b>	<b>20,050,837</b>

*Note i*

The secured facilities in Euro are against mortgage on the investment property of the wholly owned subsidiary Barwa Luxemburg.

*Note ii*

The Group management has the intention and ability to extend the unsecured USD facilities above to the year 2013. Variable finance cost on notional amount of USD 570 million as at 31 December 2010 (2009: USD 910 million) from those facilities is hedged against fluctuations in banks variable finance cost rates (Note 22).

*d) The maturity profiles of the facilities are as follows:*

2010	1 year	2-5 years	Over 5 years	Total
Secured facilities EURO	896,816	-	-	896,816
Unsecured facilities QR	15,162,533	-	2,000,000	17,162,533
Unsecured facilities AED	510,520	-	-	510,520
Unsecured facilities USD	632,753	4,864,964	92,137	5,589,854
Unsecured facilities ID	19,228	-	-	19,228
	<b>17,221,850</b>	<b>4,864,964</b>	<b>2,092,137</b>	<b>24,178,951</b>

24. OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS (CONTINUED)

2009	1 year	2-5 years	Over 5 years	Total
Unsecured facilities QR	-	-	1,200,000	1,200,000
Unsecured facilities AED	-	973,583	-	973,583
Unsecured facilities GBP	3,064,569	7,743,992	2,000,000	12,808,561
Secured facilities EURO	-	509,593	-	509,593
Unsecured facilities USD	3,003,000	1,556,100	-	4,559,100
	6,067,569	10,783,268	3,200,000	20,050,837

This note provides information about the contractual terms of the Group's profit-bearing obligations which are measured at amortised cost. For more information about the Group's exposure to fluctuation in profit rate on the facilities, foreign currency and liquidity risk, see Note 47

*e) Major covenants under Islamic Murabha Facilities:*

Under Murabha agreements concluded with some of the Group's relationship banks, the Group is required to maintain the following major financial covenants:

i) The ratio of total liabilities to total equity does not exceed 3.5:1.

Total liabilities equals the consolidated liabilities for the Group as at 31 December 2010, excluding the project Group's non-recourse debts and the related finance costs.

At 31 December 2010, total liabilities to total equity is as follows:

	2010	2009
Total debt (consolidated liabilities)	60,881,494	29,129,713
Less:		
a) Barwa Luxemburg non-recourse outstanding loan balance	(896,816)	(973,584)
b) Non-recourse liability and accrued finance cost for purchase of Egypt land	(3,272,667)	(3,432,151)
c) Non-recourse facilities' balances	(2,000,000)	(6,800,000)
d) Qatari Diar Group subordinated payable balance	(19,947,105)	(114,591)
Net recourse outstanding debts at 31 December	34,764,906	17,794,962
Equity attributable to the Parent shareholders at 31 December	11,231,233	5,176,801
<b>Total liabilities to total equity at 31 December</b>	<b>3.10</b>	<b>3.44</b>

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24. OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS (CONTINUED)

ii) The Group's finance cost coverage ratio should be not less than 2:1.

Finance cost coverage is the product of dividing earnings before depreciation, amortization, finance cost and taxes (EBITDA), by the finance cost.

	2010	2009
<i>Finance charges</i>		
Finance charges included in profit or loss (Note 40)	1,383,549	562,066
Less:		
a) Finance cost on non-recourse Barwa Luxemburg loan	(76,722)	(78,985)
b) Finance cost on non-recourse facilities	-	(149,608)
c) Subordinated finance cost relating to Qatari Diar payables	(295,182)	111,413
Net finance cost included in the ratio calculation	1,011,645	444,886
<i>EBITDA</i>		
Consolidated net profit for the year	1,411,092	743,347
Add / (Less):		
Depreciation charges	91,863	51,836
Net income tax	(7,086)	(59,260)
Net loss for the year from Barwa Luxemburg, City and International	204,130	133,624
Add: net finance cost above	1,011,645	444,886
Calculated EBITDA	2,711,644	1,314,433
<b>Finance cost coverage ratio (EBITDA ÷ Finance Cost)</b>	<b>2.68</b>	<b>2.95</b>

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25. INCOME TAXES

a) Deferred tax asset and liability

Current and deferred tax expense (income) represent amounts recognized by subsidiary companies. The deferred tax asset (liability) at the reporting date, and the corresponding deferred tax expense (benefit) for the year are made up as follows:

2010	Assets	Liabilities	Net
Investment property	-	87,900	(87,900)
Other items	-	1,923	(1,923)
Tax loss carry-forwards	63,969	-	63,969
Tax (assets) / liabilities	<b>(63,969)</b>	<b>89,823</b>	<b>25,854</b>
Translation adjustment	-	(870)	(870)
<b>Net tax (assets) / liabilities as at 31 December 2010</b>	<b>(63,969)</b>	<b>88,953</b>	<b>24,984</b>
Net tax (assets) / liabilities as at 31 December 2009	(59,132)	101,382	42,250
Deferred tax expense / (benefit) for the year	(4,837)	(12,429)	(17,266)
Translation adjustment			2,103
<b>Deferred tax benefit reported in profit or loss for the year</b>			<b>(15,163)</b>
<b>Less: Current income tax expense</b>			<b>8,077</b>
<b>Net income tax</b>			<b>(7,086)</b>

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that taxable profits will be available against which those deductible temporary differences can be utilized.

The tax rate applicable to the taxable wholly owned subsidiary, Barwa Luxemburg, using the corporate tax rate enacted by French tax laws of 33.43%. Deferred tax asset is recorded also at the same rates. For the purpose of determining the taxable results for the year, the accounting profit of the companies has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

The taxable profit for any subsequent year is set off against tax losses brought forward from earlier years for the purpose of current tax computations.

b) Income taxes recognized in profit or loss

	2010	2009
<i>Current tax expense</i>		
Current year	(8,077)	(7,370)
<i>Deferred tax benefit</i>		
Origination and reversal of temporary differences	<b>15,163</b>	66,630
<b>Net tax income for the year</b>	<b>7,086</b>	<b>59,260</b>



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**26. PROVISIONS**

	<b>2010</b>	2009
Provision for estimated contractual obligations (Note i)	-	903,412
Provision for excess losses from an associate	2,804	12,768
Provision for social and sports fund (Note ii)	35,277	19,988
	<b>38,081</b>	<b>936,168</b>

*Movement on provisions during the current year are represented as follows:*

	<b>2010</b>	2009
Balance at 1 January	936,168	909,271
Utilized amounts	(66,987)	-
Reversed provision for infrastructure work (Note i)	(856,412)	-
Deducted from retained earnings (Note ii)	35,277	19,988
Charged to profit or loss from provision for excess losses of an associate	(9,965)	6,909
	<b>38,081</b>	<b>936,168</b>

*Note i:*

This provision represented estimated contractual obligations on the Group against infrastructure work for sales of pieces of land by the Parent consummated in the year 2006 to its associate as of that date, Barwa Al-Khour Company L.L.C. The outstanding balance for the provision was reversed to profit or loss upon acquisition by the Group on additional shareholding interest of Barwa Al-Khour L.L.C. as disclosed in Note 43-B.

*Note ii:*

In accordance with the instructions received from the Qatari Ministry of Finance and economy, all listed entities on Qatar Exchange are to provide for 2.5% from its net profit for the year ended 31 December 2010 as contribution to the social and sports fund. The amount was directly deducted from retained earnings as stipulated by the Government.

**27. SHARE CAPITAL**

	<b>2010</b>	2009
<i>Authorised, issued and fully paid up:</i>		
389,124,637 ordinary shares of QR 10 each		
(2009: 262,500,000 shares)	<b>3,891,246</b>	<b>2,625,000</b>

(i) In its Extraordinary General Assembly Meeting held on 30 March 2010, the shareholders of Barwa approved issue of 95,042,040 shares to acquire 100% shareholding interest in QREIC (refer to Note 43-A for the dates of shares issue and fair values of the issued shares as of those dates). The fair value of the issued shares amounting to QR 3,264,968 thousand was allocated as QR 950,420 thousand to the share capital (95,042,040 shares multiplied by QR 10 / par value share), and the residue of the issue price over the par value amounting to QR 2,314,548 thousand was allocated as share premium and included in the general reserve as stipulated in the Parent's articles of association.

**27. SHARE CAPITAL (CONTINUED)**

(ii) Further, the shareholders of Barwa approved in the aforementioned Extraordinary General Assembly Meeting the issue of 31,582,597 shares in exchange for a plot of land provided by Qatari Diar Real Estate Investment Company Q.S.C. (“QD”) as an in-kind capital contribution in Barwa. The shares were issued on 25 April 2010 and were listed in Qatar Exchange as of that date. The transaction was accounted for as an equity settled share based payment in accordance with IFRS 2 “Share-based Payments”, and the fair value of the issued shares was determined based on the fair value of the exchanged plot of land as the fair value of the received land was able to be estimated reliably. Fair value of the received land from QD was assessed as QR 1,598,812 thousand based on valuation prepared by an accredited independent appraiser on 25 April 2010, which amount was allocated as QR 315,826 thousand to the share capital (31,582,597 shares multiplied by QR 10 / par value share), and the residue of the issue price over the par value amounting to QR 1,282,986 thousand was allocated as share premium and included in the general reserve.

The following schedule summarizes the effect of the abovementioned increases in share capital on the relevant equity accounts during the year:

	No. of issued shares	Fair values of the issued shares	Allocated to share capital	Allocated to share premium
Capital issue for acquisition of QREIC (Note i)	95,042,040	3,264,968	950,420	2,314,548
Capital issue for the exchange of QD land (Note ii)	31,582,597	1,598,812	315,826	1,282,986
	<b>126,624,637</b>	<b>4,863,780</b>	<b>1,266,246</b>	<b>3,597,534</b>

**28. LEGAL RESERVE**

In accordance with the requirements of the Qatar Commercial Companies Law No. 5 of 2002 and the Parent’s Articles of Association, a minimum of 10% of the net profit should be transferred to a legal reserve each year until this reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law and the Parent’s Articles of Association.

**29. GENERAL RESERVE**

In accordance with the Parent’s articles of association, the premium on issue of share capital is added to general reserve. In addition, residual annual profits, after the required transfer to legal reserve (Note 28), can be appropriated and transferred to general reserve based on the General Assembly Meeting’s approval.

**30. RISK RESERVE**

In relation to the operations of the Group’s subsidiary, Barwa Bank (“the Bank”), and in accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 1.5% of the total private sector exposure granted by the Bank inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance, which should be appropriated from owners’ profit according to Qatar Central Bank circular 87/2008. Based on profit for the year, the total amount of the transfer to be made to the risk reserve was QR 30.42 million (2009: QR 7.83 million), however only QR 24.95 million (2009: QR 2.76 million) was transferred from retained earnings to the risk reserve as at 31 December 2010 as this was the available balance in retained earnings of the Bank as of that date.

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31. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2010	2009
Cash flow hedge reserve	14,298	(34,336)
Available for sale financial assets fair value reserve	11,912	34,494
Translation reserve	(71,364)	(40,221)
<b>Accumulated other comprehensive loss at 31 December</b>	<b>(45,154)</b>	<b>(40,063)</b>

The movement on the accumulated other comprehensive income / (loss) during the year is illustrated as follows:

2010	Cash flow hedge reserve	Available for sale financial assets fair value reserve	Translation reserve	Total 2010
Balance at 1 January	(34,336)	34,494	(40,221)	(40,063)
<b>Other comprehensive income for the year</b>				
Net change in fair value of available for sale financial assets	-	(124,106)	-	(124,106)
Impairment loss on available for sale financial assets transferred to profit or loss	-	101,524	-	101,524
Effective portion of changes in fair value of cash flow hedges	(25,728)	-	-	(25,728)
Net change in fair value of cash flow hedges transferred to profit or loss	74,362	-	-	74,362
Foreign currency translation differences for foreign operations	-	-	(11,334)	(11,334)
<b>Total other comprehensive income / (loss) for the year</b>	<b>48,634</b>	<b>(22,582)</b>	<b>(11,334)</b>	<b>14,718</b>
Less: Other comprehensive income attributed to non-controlling interest	-	-	(19,809)	(19,809)
Other comprehensive income / (loss) attributed to Parent	48,634	(22,582)	(31,143)	(5,091)
<b>Accumulated other comprehensive income attributed to equity holders of the Parent</b>	<b>14,298</b>	<b>11,912</b>	<b>(71,364)</b>	<b>(45,154)</b>

Net changes in fair value of available for sale financial assets during the year included QR 500 thousand share of the Group in fair value reserves of its associates (see Note 16).

31. ACCUMULATED OTHER COMPREHENSIVE LOSS (CONTINUED)

2009

	Cash flow hedge reserve	Available for sale financial assets fair value reserve	Translation reserve	Total 2009
Balance at 1 January	(112,384)	45,781	35,937	(30,666)
<i>Other comprehensive income for the year</i>				
Net change in fair value of available for sale financial assets	-	(11,287)	-	(11,287)
Net change in fair value of cash flow hedges during the year	78,048	-		78,048
Foreign currency translation differences for foreign operations	-	-	(63,879)	(63,879)
Total other comprehensive income / (loss) for the year	78,048	(11,287)	(63,879)	2,882
Less: Other comprehensive income attributed to non-controlling interest	-	-	(12,279)	(12,279)
Other comprehensive income / (loss) attributed to Parent	78,048	(11,287)	(76,158)	(9,397)
Accumulated other comprehensive income / (loss) attributed to equity holders of the Parent	(34,336)	34,494	(40,221)	(40,063)

32. TREASURY SHARES

Treasury shares represents the value of shares owned by the Group subsidiaries in the Parent at the end of the reporting period.

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33. NON-CONTROLLING INTERESTS

Details of the non-controlling interests balances at year-end are as follows:

2010

Name of subsidiary	Commercial avenue	Barwa and QD Research Institute	Kayan United	Cavendish Capital	Guidance	Nuzul Qatar	Barwa Bank	Barwa Al-Rayyan	Barwa Al-Doha	Amlak Finance	Tas Qatar	Qatar Project Management	Total 2010
Percentage of non-controlling interests in subsidiary	5%	49%	6%	40%	3.5%	50%	60.52%	30%	35%	40%	49%	30%	
At 1 January 2010 – Restated (Note 51)	2,500	(5,253)	-	130,690	28,515	55,075	304,227	(7,594)	20,515	56,180	1,462	-	586,317
Provided in-kind contributions (Note 44-a)	248,822	-	-	-	-	-	-	-	-	-	-	-	248,822
Interests acquired without change of control (Note 44-b)	-	-	-	-	-	-	-	-	-	-	-	33,563	33,563
Interests assumed through business combinations (Note 1)	-	-	746	-	-	-	980,060	-	-	-	-	-	980,806
Purchase of interest by the Parent (Note 44-c)	-	-	-	-	-	-	-	-	(5,320)	-	-	-	(5,320)
Share in net profit / (loss) for the year	(1,231)	(6,366)	(1)	(3,888)	(3,313)	30,922	-	(22)	(3,898)	239	(6,979)	-	5,463
Share in other comprehensive income for the year	-	-	27	20,424	(642)	-	-	-	-	-	-	-	19,809
Minority's balances at 31 December	250,091	(11,619)	772	147,226	24,560	85,997	1,284,287	(7,616)	11,297	56,419	(5,517)	33,563	1,869,460

BARWA REAL ESTATE COMPANY Q.S.C.

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33. NON-CONTROLLING INTERESTS (CONTINUED)

2009

Name of subsidiary	Commercial avenue	Barwa and QD Research Institute	Barwa Al-Afrad L.L.C	Cavendish Capital	Guidance	Nuzul Qatar	Barwa Bank	Barwa Al-Rayyan	Barwa Al-Doha	Amlak Finance	Tas Qatar	Barwa New Cairo	Total 2009
<i>Percentage of non-controlling interests in subsidiary</i>	5%	49%	49%	40%	5%	50%	32.51%	30%	50%	40%	49%	31.25%	
Share in capital	2,500	98	980	192,925	33,024	7,500	304,116	6,000	27,442	60,000	980	16,760	652,325
Share in (accumulated losses) / retained earnings of the subsidiaries	-	(6,331)	-	(2,892)	(4,236)	47,575	-	(13,594)	(6,927)	(3,820)	482	(3,458)	6,799
Non-controlling interests acquired during the year	-	-	-	(20,995)	-	-	111	-	-	-	-	(13,302)	(34,186)
Accumulated share in translation reserve	-	-	-	(38,348)	(273)	-	-	-	-	-	-	-	(38,621)
Minority's balances at 31 December	2,500	(6,233)	980	130,690	28,515	55,075	304,227	(7,594)	20,515	56,180	1,462	-	586,317

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33. NON-CONTROLLING INTERESTS (CONTINUED)

Note i:

Non-controlling interest assumed on business combinations consummated during the current year are represented in QR 746 thousand resulting from the acquisition of Kayan United Real Estate Company during the current year (Note 43-E) and QR 980,060 thousand resulting from the acquisitions consummated by a subsidiary of the Group, Barwa bank, on First Finance Company Q.P.S.C. and First Leasing Company C.Q.S.C. during the current year (Note 43-G-f).

34. DISPOSAL OF SUBSIDIARIES

During the prior year, the Group undertook to sell its wholly owned subsidiary Barwa Malta to a third party, its 50% interest in Hasad Barwa to Hasad Food, and its wholly owned subsidiary Gulf Urban Construction and Development Company to a counter party, resulting in the recognized gain on sale of subsidiaries amounting to QR 260,762 thousand during the comparative year. No sale of interests in subsidiaries leading to loss of control occurred during the current year ended 31 December 2010.

35. DISCHARGE OF ISLAMIC FINANCE OBLIGATIONS

During the current year, the Qatari Ministry of Economy and Finance approved a request provided by Barwa to discharge Barwa from certain obligations under Islamic financing contracts provided by local Qatari banks and related incurred finance costs.

The total discharged obligations and related compensated finance costs by the Government were amounting to QR 4,300 million (refer to Note 24). The following schedule summarizes the relevant information on the discharged obligations:

Details of the discharged obligations	In 000 QR
<i>Unconditional income from discharge of obligations:</i> The amount was charged to the consolidated profit or loss for the year being not linked to certain conditions to be fulfilled by the Group.	914,900
<i>Compensation for capitalized finance costs on property under development (Note 13):</i> The amount was reduced from the cost of the intended project	73,000
<i>Compensation for capitalized finance costs on investment property (Note 15):</i> The amount was reduced from the cost of the intended project	124,000
<i>Sale value for one of the Group's projects:</i> The sale is yet to be consummated and hence the amount is recorded as deferred revenue included in payables and accruals as at 31 December 2010 (Note 19)	676,100
<i>Sale value of a piece of land owned by the Group and classified as investment property (Note 15):</i> The sale was effectively consummated and recorded during the current year	2,187,000
<i>Collection of receivable from the Qatari Government against sale of Doha Convention Centre:</i> The property was sold to the Qatari Government in the year 2008 (Note 8)	325,000
	<b>4,300,000</b>

**BARWA REAL ESTATE COMPANY Q.S.C.**

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**36. REVENUES FROM SERVICES**

	<b>2010</b>	2009
Advertising revenues	5,201	11,003
Consulting revenues	209,899	71,766
	<b>215,100</b>	<b>82,769</b>

The revenues from services above represent advertisement and projects consulting revenues recognized during the current year by the Group subsidiaries Barwa Media, Tanween and Qatar Project Management, being provided to external parties to the Group. Intercompany charged advertisement and consulting revenues and related costs are eliminated in these consolidated financial statements.

**37. OTHER INCOME**

	<b>2010</b>	2009
Dividend income	1,456	31,352
Loss on sale of available for sale financial assets	(6,721)	(1,101)
Management fees income	30,308	34,123
Commission income	-	1,550
Unrealized (loss) / gain on financial assets at fair value through profit or loss	(207)	86
Other income	25,347	2,795
	<b>50,183</b>	<b>68,805</b>

**38. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2010</b>	2009
Staff costs	524,486	381,511
Professional expenses	486,392	201,739
Rent expenses	183,273	113,222
Advertising and promotion expenses	130,767	68,116
Travel expenses	13,578	15,881
Management fees	19,451	16,457
Pre-operating expenses	-	60,611
Hotels operating costs	69,859	9,972
Other expenses	143,942	126,844
	<b>1,571,748</b>	<b>994,353</b>



**BARWA REAL ESTATE COMPANY Q.S.C.**

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**39. IMPAIRMENT LOSSES**

	<b>2010</b>	2009
Impairment of advances (Note i)	480,571	292,923
Impairment of an associate (Note 16)	-	200,935
Impairment of goodwill (Note 17)	118,341	69,027
Impairment of property under development (Note 13)	2,386,149	-
Impairment of property, plant and equipment (Note 18)	715,257	-
Impairment of available for sale financial assets (Note 9)	101,524	-
	<b>3,801,842</b>	<b>562,885</b>

*Note i*

The management of the Group decided to record impairment losses amounting to QR 480,571 thousand during the current year (2009: QR 292,923 thousand), against certain unrecoverable advances paid during the prior periods.

**40. FINANCE COST AND INCOME**

	<b>2010</b>	2009
<b><i>Finance costs</i></b>		
Banks profits on Islamic financing obligations	2,013,697	1,052,650
Less: capitalized finance costs	(630,148)	(490,584)
Banks profits charged to profit or loss	1,383,549	562,066
Expenses from financing activities	79,715	15,348
Losses from derivative financial instruments	717,951	551,478
Finance costs for the year	2,181,215	1,128,892
<b><i>Finance income</i></b>		
Income from Murabha and Islamic deposits	502,002	74,476
Gain on restructure of debt	-	265,014
Finance lease income	142,628	-
Income from financing activities	334,290	48,518
Net foreign exchange gains on financing activities	(104,682)	79,943
Finance income for the year	874,238	467,951
<b>Net finance costs for the year</b>	<b>1,306,977</b>	<b>660,941</b>

**41. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year.

	<b>2010</b>	2009 Restated
Net profit attributable to the Shareholders of the Parent for the year (in 000 QR)	1,405,629	765,817
Weighted average number of shares outstanding during the year (in thousand shares)	347,820	262,500
Basic and diluted earnings per share (QR)	<b>4.04</b>	2.92

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

**42. DIVIDENDS**

In its Board of Directors Meeting held on 15 March 2010, the Company's Board of Directors approved proposed cash dividends of 20% from the outstanding share capital as of that date; hence the total proposed dividend was amounting to QR 2 per share in total of QR 525 million. In its General Assembly Meeting held on 30 March 2010, the shareholders of the Group approved declaration of the aforementioned dividends.

**43. BUSINESS COMBINATIONS**

**A) Acquisition of Qatar Real Estate Investment Company Q.S.C.**

On 4 March 2010, Barwa and Qatar Real Estate Investment Company Q.S.C. ("QREIC") announced a formal public offer to the shareholders of QREIC for acquisition of 100% of its listed shares. The offer document was subsequently distributed to the shareholders of QREIC.

In their Extraordinary General Assembly Meeting dated 30 March 2010, the shareholders of Barwa approved the acquisition of QREIC, and the shareholders of QREIC approved the same in their Extraordinary General Assembly Meeting held on the same date.

On 25 April 2010, Barwa consummated the acquisition plan through acquiring 84.97% of the share capital of QREIC via issue of 80,753,893 from Barwa's shares as of that date. The transfer of the residual ownership interest in QREIC was subsequently formally completed through issue of additional 14,288,147 of Barwa's shares on 31 May 2010. These share issues were approved for public exchange in the aforementioned dates by Qatar Financial Markets Authority.

The legal status of the acquired entity was changed after the acquisition to be a private shareholding company rather than a public shareholding company, and QREIC was delisted from Qatar Exchange.

The principal activities of QREIC include the establishment and management of residential compounds and projects for rental purposes and the purchase of land for development and resale. Taking control by the Group of QREIC will enable the Group extending its real estate activities and operations in the Qatari real estate market.

In the 8 months to 31 December 2010, QREIC contributed revenues of QR 369 million and net profit of QR 509 million. If the acquisition had occurred on 1 January 2010, management estimates that the Group's consolidated revenues for the year would have been increased by QR 279 million and the Group's consolidated net profit for the year would have been increased by QR 157 million.

*The following summarizes the major classes of consideration transferred and the recognized amounts of the acquired assets and liabilities assumed at the effective date of acquisition:*

**(a) Consideration transferred**

The fair value of the issued shares of Barwa totalling 95,042,040 shares above was amounting to QR 3,264,968 thousand representing the purchase consideration provided by Barwa for the acquisition of 100% of the share capital of QREIC. The fair value of the issued shares was determined based on the listed share prices at the above mentioned dates of acquisition, detailed as follows:

Date of issue	No of issued shares	Listed share price at date of issue	Acquisition consideration In 000 QR
25 April 2010	80,753,893	35.30	2,850,612
31 May 2010	14,288,147	29.00	414,356
	95,042,040		<b>3,264,968</b>

43. BUSINESS COMBINATIONS (CONTINUED)

A) Acquisition of Qatar Real Estate Investment Company Q.S.C. (continued)

*(b) Identifiable assets acquired and liabilities assumed*

The provisional fair values of the identifiable assets and liabilities of QREIC recognized as a result of the acquisition were as follows:

	In 000 QR
Cash at banks	246,778
Receivables and prepayments	84,920
Advances for purchase of property	218,775
Finance lease receivables	1,463,540
Available for sale financial assets	133,074
Treasury shares (Note i)	4,119
Investment property	2,635,164
Investment in equity accounted investees	1,051,093
Property under development	1,965,179
Property and equipment	10,175
<b>Total fair value of acquired assets</b>	<b>7,812,817</b>
Payables and accruals	868,967
Liabilities under derivative contracts	66,924
Loans and borrowings	3,738,368
<b>Total fair value of assumed liabilities</b>	<b>4,674,259</b>
<b>Fair value of acquired net identifiable assets</b>	<b>3,138,558</b>

*Note i:*

The treasury shares represent the cost of shares owned by QREIC in Barwa at the date of acquisition.

*(c) Goodwill*

Goodwill has been recognized as a result of the acquisition as follows:

	In 000 QR
Total consideration transferred	3,264,968
Less: fair value of acquired net identifiable assets	(3,138,558)
<b>Goodwill resulting from the acquisition</b>	<b>126,410</b>

*(d) Cash outflow from the acquisition*

	In 000 QR
Net cash acquired with the subsidiary	246,778
Less: Cash paid	-
<b>Cash received</b>	<b>246,778</b>

**43. BUSINESS COMBINATIONS (CONTINUED)**

**B) Step acquisition of Barwa Al-Khour Company W.L.L.**

Effective 28 October 2010, the Group acquired the residual 60% shareholding interest in its previous associate, Barwa Al-Khour Company W.L.L. ("Barwa Al-Khour") under a repudiation agreement concluded with one of the related parties to the Group, for a net consideration of QR 3,868,050 thousand.

**(a) Identifiable assets acquired and liabilities assumed, and resulting gain on previously held interest**

The provisional fair values of the identifiable assets and liabilities of Barwa Al-Khour recognized as a result of the acquisition were as follows:

	In 000 QR
Property under development (Note i)	12,195,662
Receivables from deferred sale arrangements	961,322
Furniture and equipment	998
Other receivables	45,567
Due from related party	498
Cash and banks	4,448
	13,208,495
Due to related parties	2,936,184
Payables and accruals	48,016
	2,984,200
<b>Fair value of net identifiable assets at date of acquisition</b>	<b>10,224,295</b>
Fair value of previously held interest in Barwa Al-Khour (40% of net assets above)	4,089,718
Less: Carrying amount of previous interest in associate at date of acquisition	(1,001,709)
<b>Gain on previously held interest in Barwa Al-Khour</b>	<b>3,088,009</b>

*Note i:*

The property under development, constituted of plots of land located in AL-Khour district, was evaluated to its fair market value by an independent appraiser as of the date of the acquisition.

**(b) Bargain purchase gain resulting on the step acquisition**

	In 000 QR
Acquisition consideration	3,868,050
Fair value of previously held interest	4,089,718
Sub-total	7,957,768
Fair value of net assets at date of acquisition	(10,224,295)
<b>Bargain purchase gain arising on the acquisition</b>	<b>(2,266,527)</b>

**(c) Cash outflow from the acquisition**

	In 000 QR
Net cash acquired with the subsidiary	4,448
Less: Cash paid	(811,744)
	<b>(807,296)</b>

At the reporting date, the group has an outstanding liability amounting to QR 3,056,307 thousand as a result of the above acquisition.

**43. BUSINESS COMBINATIONS (CONTINUED)**

**C) Step acquisition of Barwa Al-Baraha Company W.L.L.**

During the current year, the Group acquired the residual 51% shareholding interest in its previous associate, Barwa Al-Baraha Company W.L.L. ("Barwa Al-Baraha") under share purchase agreements concluded with the previous shareholders, for consideration of QR 25 million.

**(a) Identifiable assets acquired and liabilities assumed, and resulting loss on previously held interest**

The provisional fair values of the identifiable assets and liabilities of Barwa Al-Baraha recognized as a result of the acquisition were as follows:

	In 000 QR
Cash and banks	424
Property under development	650,899
Receivables and prepayments	873
Property, plant and equipment	392
	652,588
Payables and accruals	574
Due to related parties	620,333
	620,907
<b>Fair value of net identifiable assets at date of acquisition</b>	<b>31,681</b>
Fair value of previously held interest in Barwa Al-Baraha (49% of net assets above)	15,524
Less: Carrying amount of previous interest in associate at date of acquisition	(18,638)
<b>Loss on previously held interest in Barwa Al-Baraha</b>	<b>(3,114)</b>

**(b) Goodwill**

Goodwill has been recognized as a result of the acquisition as follows:

	In 000 QR
Consideration paid	25,500
Fair value of previously held interest	15,524
Sub-total	41,024
Fair value of net assets at date of acquisition	(31,681)
<b>Goodwill arising on the acquisition</b>	<b>9,343</b>

**(c) Cash outflow from the acquisition**

	In 000 QR
Net cash acquired with the subsidiary	424
Less: Cash paid	(25,000)
	<b>(24,576)</b>

**43. BUSINESS COMBINATIONS (CONTINUED)**

**D) Acquisition of Jeddah Vegetables and Fruits Central Markets Company W.L.L.**

During the current year, the Group acquired 100% of shareholding interest in Jeddah Vegetables and Fruits Central Markets Company W.L.L. ("the Subsidiary") for net consideration amounting to QR 118,535 thousand, represented in previous outstanding advances due from the seller.

**(a) Identifiable assets acquired and liabilities assumed**

The provisional fair values of the identifiable assets and liabilities of the Subsidiary recognized as a result of the acquisition were as follows:

	In 000 QR
Advances, receivables and prepayments	26,947
Property under development	326,148
Payables and accruals	(33,643)
Due to related parties	(319,452)
<b>Fair value of net identifiable assets at date of acquisition</b>	<b>-</b>

**(b) Goodwill**

As the fair values of the acquired net assets of the Subsidiary at the date of the acquisition was Nil, the Group recognized the full consideration of the acquisition amounting to QR 118,535 thousand as goodwill.

The goodwill resulting from the acquisition was fully impaired at year-end based on impairment testing performed by the Group (Note 17).

**(c) Cash outflow from the acquisition**

No cash outflow resulted from the acquisition during the current year as the outstanding advances paid to the buyer were outstanding from the prior year.

**E) Acquisition of Kayan United Real Estate Company**

On 30 June 2010, the Group acquired 94% of the voting shares of Kayan United Real Estate Company, an unlisted company based in Kuwait and specializing in the real estate sector, for purchase consideration amounting to QR 12,141 thousand. The Group has acquired Kayan United Real Estate Company for business expansion objectives in Kuwait.

Fair value of the acquired net assets at date of acquisition was amounting to QR 12,430 thousand, non-controlling interest was amounting to QR 746 thousand, and resulting goodwill from the acquisition was amounting to QR 456 thousand.

**43. BUSINESS COMBINATIONS (CONTINUED)****F) Acquisition of Park House Limited**

Effective 21 June 2010, the Group acquired Park House (Oxford St.) Limited ("Park House"), from its previous owner, for total amount of GBP 250.1 million, including GBP 220 million to transfer the outstanding liability on Park House from the previous owner to the Group, and GBP 30.1 million (equivalent to QR 169.4 million as of that date using exchange rate of GBP: 5.63 QR) as purchase consideration for the acquisition of the net assets of Park House. The Group later paid QR 9.6 million as settlement of additional consideration agreed with the purchaser, leading to total purchase consideration of QR 179 million.

**(a) Identifiable assets acquired and liabilities assumed**

The provisional fair values of the identifiable assets and liabilities of Park House recognized as a result of the acquisition were as follows:

	In 000 QR
Investment property under development	1,281,362
Receivables and prepayments	562
Bank	6
<b>Total fair value of acquired assets</b>	<b>1,281,930</b>
Payables and accruals	113
Due to related parties	1,238,502
<b>Total fair value of assumed liabilities</b>	<b>1,238,615</b>
<b>Fair value of acquired net identifiable assets</b>	<b>43,315</b>

**(b) Goodwill**

Goodwill has been recognized as a result of the acquisition as follows:

	In 000 QR
Total purchase consideration	179,057
Less: fair value of acquired net identifiable assets	(43,315)
<b>Goodwill resulting from the acquisition</b>	<b>135,742</b>

**(c) Cash outflow from the acquisition**

	In 000 QR
Net cash acquired with the subsidiary	6
Less: Cash paid	(28,711)
<b>Net cash outflow</b>	<b>(28,705)</b>

At the reporting date, QR 152 million from the purchase consideration was outstanding as a liability on the Group.



**43. BUSINESS COMBINATIONS (CONTINUED)****G) Acquisitions of First Finance Company Q.P.S.C. and step acquisition of First Leasing Company C.Q.S.C.**

On 12 July 2010, the shareholders of First Finance Company Q.P.S.C. (“FFC”) approved an offer from the Group’s subsidiary, Barwa Bank (“the Bank”), to acquire 100% of the share capital of FFC via a share swap. The ratio determined for the share swap was 1 FFC share to 1.54 shares of the Bank.

On 13 July 2010, the shareholders of First Leasing Company C.Q.S.C. (“FLC”) approved an offer from the Bank to acquire 100% of the share capital of FLC via a share swap. The ratio determined for the share swap was 1 FLC share to 0.59 share of the Bank.

Since the date of acquisition and up to 31 December 2010, FFC contributed net operating income of QR 52.86 million and net profit of QR 23.86 million, while FLC contributed net operating income of QR 11.54 million and a net loss of QR 13.40 million.

**(a) Consideration transferred**

As a result of the above acquisitions consummated by the Group through the Bank, the shareholding interest of the Group in the Bank was diluted from 67.5% to 39.5%, i.e. by 28%. Accordingly 28% of the fair value of net assets of the Bank as of the date of acquisitions above, was transferred from the Group to the existing non-controlling interest of the Bank as of the same date. Fair value of net assets of the Bank as at 12 July 2010 was amounting to QR 719,912 thousand, and hence QR 201,647 thousand was transferred to the existing non-controlling interest of the Bank as of the date of acquisition. In addition, an amount of QR 276,925 thousand was paid directly from the Group to certain shareholders in FFC to acquire their interests.

Summary of the consideration transferred based on the above information is as follows:

	FFC	FLC	Total
Value of net assets in Barwa Bank transferred to non-controlling interests	165,614	36,033	201,647
Additional consideration paid	276,925	-	276,925
<b>Total acquisition cost</b>	<b>442,539</b>	<b>36,033</b>	<b>478,572</b>

43. BUSINESS COMBINATIONS (CONTINUED)

G) Acquisitions of First Finance Company Q.P.S.C. and step acquisition of First Leasing Company C.Q.S.C. (continued)

(b) Identifiable assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of FFC and FLC recognized as a result of the acquisition were as follows:

	FFC	FLC	Total
Cash and bank balances	534,256	33,613	567,869
Receivables from financing activities	1,083,834	172,676	1,256,510
Investment securities	141,462	78,190	219,652
Investment in associates	4,594	22,543	27,137
Receivables and prepayments	32,063	4,836	36,899
Investment property	-	14,156	14,156
Property, plant and equipment	46,287	18,106	64,393
<b>Total fair value of acquired assets</b>	<b>1,842,496</b>	<b>344,120</b>	<b>2,186,616</b>
Placements from financial institutions	701,328	94,700	796,028
Other liabilities	25,363	6,652	32,015
<b>Total fair value of liabilities assumed</b>	<b>726,691</b>	<b>101,352</b>	<b>828,043</b>
<b>Fair value of net identifiable assets</b>	<b>1,115,805</b>	<b>242,768</b>	<b>1,358,573</b>

(c) Recognized loss on previously held interest

As of the date of the acquisition of FLC, the Group held 30.98% shareholding interest in FLC and such shareholding interest was accounted for as investment in associate by the Group. The resulting loss on the previously held interest in FLC was calculated as follows:

	In 000 QR
Fair value of previously held interest	74,481
Carrying amount of previously held interest in First Leasing as associate at date of acquisition	(96,261)
<b>Loss on previously held interest</b>	<b>(21,780)</b>

**43. BUSINESS COMBINATIONS (CONTINUED)****G) Acquisitions of First Finance Company Q.P.S.C. and step acquisition of First Leasing Company C.Q.S.C. (continued)****(d) Goodwill**

Goodwill has been recognized as a result of the acquisitions as follows:

	FFC	FLC	Total
Fair value of consideration given to controlling interest	442,539	36,033	478,572
Non-controlling interests (proportionate share of net assets)	675,285	146,923	822,208
Fair value of previously held interest	-	74,481	74,481
Sub-total	1,117,824	257,437	1,375,261
Less: Fair value of net assets of the acquired entities	(1,115,805)	(242,768)	(1,358,573)
<b>Goodwill recognized at acquisitions</b>	<b>2,019</b>	<b>14,669</b>	<b>16,688</b>

**(e) Cash outflow from the acquisition**

	FFC	FLC	Total
Cash acquired with the subsidiaries	534,256	33,613	567,869
Cash paid	(276,924)	-	(276,924)
<b>Net cash received</b>	<b>257,332</b>	<b>33,613</b>	<b>290,945</b>

**(f) Net effect on non-controlling interests assumed by the Group as a result of the above acquisitions**

As a result of the above acquisitions, the non-controlling interests in Barwa Bank were increased by QR 980,060 thousand, represented in non-controlling interests proportionate share of net assets of the acquired subsidiaries amounting to QR 822,208 thousand, in addition to QR 201,647 thousand representing the value of net assets in Barwa Bank transferred to non-controlling interests as part of the acquisition cost provided by the Group (Note 43-G-a), less QR 43,795 thousand share of net assets in FFC and FLC already owned by the existing non-controlling interests in Barwa Bank at the date of acquisition.

**(g) Control over Barwa Bank Group**

Although the ownership interest of the Group in Barwa Bank was diluted during the current year to be 39.48% of the voting shares on the Bank due to the acquisitions mentioned above, the Group continues to exercise control over the Bank, as the Group:

- Has the power to govern the financial and operating policies of the Bank;
- Has the power to appoint or remove the majority of the members of the board of directors of the Bank;
- Has the power to cast the majority of votes at meetings of the board of directors of the Bank, while control of the Bank is casted through that board.

**44. TRANSACTIONS WITH NON-CONTROLLING INTEREST**

**a) In kind contributions provided by non-controlling interest without change of control**

During the year 2009, the Parent and the Ministry of Municipality and Urban Planning, as a representative of the Qatari Government, agreed that the Government of the State of Qatar (“the Government”) will participate in ownership of a wholly owned subsidiary, Barwa Commercial Avenue W.L.L. (“the Subsidiary”), by 5% ownership interest. The Government’s 5% ownership was determined as QR 355,239,944, to be provided through transferring ownership of 11 plots of land located in Mesaimer, Doha, with nominal value of QR 150 per square foot as determined by the Government. Further the Government agreed to grant the Parent 50% discount on the above mentioned price per square foot, as for the Government’s share in ownership of the Subsidiary is to be capped at QR 75 per square foot for the provided land from the Government. The difference between the total nominal value of the land to be provided by the Government and the agreed Government’s contribution in the ownership of the Subsidiary is amounting to QR 18,793,606, and is to be settled with the Government at the end of the Subsidiary’s project, hence is recorded as a liability on the Group as at 31 December 2010 (Refer to Note 19).

Effective 28 September 2010, the Government actually transferred title deeds for 9 plots of land with total area of 3,601,546 square feet, in total nominal value of QR 540,234,150 which was recorded by the Group as transaction with non-controlling interest without change of control.

The recorded amount in these consolidated financial statements as a result of the above transaction was calculated as follows:

Land area provided by the Government in square foot	3,601,546
Nominal price per square foot	150
Total nominal value for the transferred land (in 000 QR)	540,232
Less: nominal value of the 5% share capital in the Subsidiary allocated to the Government (in 000 QR)	(2,500)
Less: Liability due to the Government to be settled at the end of the project ( in 000 QR) (Note 19)	(18,794)
<b>Increase in shareholders’ equity (in 000 QR)</b>	<b>518,938</b>

While the increase in shareholders’ equity as a result of the above transaction was allocated between the equity attributable to the Group and the non-controlling interest attributed to the Qatari Government as follows:

	<b>2010</b>
Allocated to the Qatari Government – Note i	248,822
Allocated to Barwa Real Estate Company Q.S.C. (“the Parent”)	270,116
	<b>518,938</b>

44. TRANSACTIONS WITH NON-CONTROLLING INTEREST(CONTINUED)

a) In kind contributions provided by non-controlling interest without change of control (continued)

Note i:

The amount allocated to the non-controlling interest of the Government is calculated using the following basis:

Land area provided by the Government in square foot	3,601,546
Government's share in the nominal price per square foot	75
Government's share in the total nominal value for the transferred land (in 000 QR)	270,116
Less: Liability due to the Government to be settled at the end of the project (in 000 QR)	(18,794)
Less: nominal value of the 5% share capital in the Subsidiary allocated to the Government (in 000 QR)	(2,500)
<b>Amount allocated to the Government (in 000 QR)</b>	<b>248,822</b>

The residual amount of QR 270,116 thousand was allocated to the Group accordingly, and included in the retained earnings as at 31 December 2010 as a transaction with non-controlling interest without loss of control.

b) Sale to non-controlling interest without change of control

During the current year, the Group sold 19,200,000 shares in Qatar Project Management Company ("QPM"), a subsidiary of the Group, representing 30% shareholding interest in QPM, to Qatari Diar Real Estate Investment Company Q.S.C. ("QD"), for a total consideration amounting to QR 150 million.

As of the date of sale, fair value of net assets of QPM was amounting to QR 111,876 thousand, accordingly the fair value of the 30% shareholding interest acquired by QD was amounting to QR 33,563 thousand.

	In 000 QR
Sale consideration	150,000
Less: fair value of net assets acquired by the non-controlling interest	(33,563)
<b>Excess of sale consideration over the fair value of net assets transferred</b>	<b>116,437</b>

The excess of sale consideration over the fair value of net assets of QPM transferred to the non-controlling interest was recorded directly in the retained earnings of the Group as at 31 December 2010, being a transaction with non-controlling interest that did not result in change of control over the subsidiary.

44. TRANSACTIONS WITH NON-CONTROLLING INTEREST(CONTINUED)

c) Non-controlling interests acquired without change of control

Effective 28 October 2010, the Group acquired 15% shareholding interest in its previously 50% owned subsidiary Barwa Al-Doha Real Estate Company W.L.L. ("Barwa Doha") under a repudiation agreement concluded with a non-controlling interest in Barwa Al-Doha, for a net consideration of QR 35,863 thousand. Total shareholding interest owned by the Group in Barwa Al-Doha after the acquisition of additional interest is 65%.

As of the date of acquisition of the additional interest, fair value of net assets of Barwa Al-Doha was amounting to QR 35,468 thousand, accordingly the fair value of the 15% shareholding interest acquired by the Group from the non-controlling interest was amounting to QR 5,320 thousand.

	In 000 QR
Purchase consideration	35,863
Less: fair value of net assets acquired by the non-controlling interest	(5,320)
<b>Excess of purchase consideration over the fair value of net assets acquired</b>	<b>30,543</b>

The excess of purchase consideration over the fair value of net assets of Barwa Al-Doha acquired from the non-controlling interest was recorded directly in the retained earnings of the Group as at 31 December 2010, being a transaction with non-controlling interest that did not result in change of control over the subsidiary.

45. CONTINGENT LIABILITIES

	2010	2009
Bank guarantees	104,192	6,277
Letters of credit	420,659	400,000

The Group anticipates that no material liabilities will arise from the above guarantees and letter of credits, which are issued in the ordinary course of business.

46. CONTRACTUAL COMMITMENTS

	2010	2009
Contractual commitments to contractors and suppliers for property under development	9,402,122	8,468,734
Commitments for purchase of property	-	322,000
Commitments for purchase of investments	-	379,377
Commitments for operating leases	759,209	525,205
Unused facilities	21,693	555,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 47. FINANCIAL INSTRUMENTS RISK MANAGEMENT

## a) Credit risk

*Exposure to credit risk*

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

	Carrying amounts	
	2010	2009
Cash and banks balances	12,983,145	1,927,994
Available-for-sale financial assets in debt securities	1,528,168	-
Due from customers under Islamic financing	1,993,782	510,979
Finance lease receivables	1,806,641	-
Financial receivables	498,049	838,196
Due from related parties	186,334	4,450,636
	<b>18,996,119</b>	<b>7,727,805</b>

*Cash and cash equivalents*

Credit risk on bank balances is limited as they are placed with local and foreign banks having good credit ratings assigned by international credit rating agencies, balances held with Qatar Central bank and placements with well reputed banks and other financial agencies.

*Available for sale financial assets in debt securities*

The Group significantly limits its exposure to credit risk by investing in debt securities, which are either quoted in active securities markets, or unquoted and issued by Governmental agencies. There was no impairment loss recognized in respect of available for sale financial assets in debt securities as the decline in fair values of these investments has not been significant or prolonged during the current year. For unquoted investments in debt securities, management depends on valuation and financial reports provided by the investees to assess recoverability of those investments.

There is a regular monitoring by the Group's management of the prices of the debt instruments listed in foreign exchanges, and if there is a permanent decline in the value of investments, impairment provisions are considered.

*Due from customers under Islamic financing*

The facilities provided by the Group subsidiary, Barwa Bank, to its customers which are currently limited to well reputed government owned entities and other accredited parties.

*Financial receivables*

Those consist of receivables from trade receivables, bank profits and dividend receivable and receivables under escrow accounts. Credit risk on those balances is minimal due to being the Group applies proper credit granting policies.

*Due from related parties*

Due from related parties significantly consist of balances due from associates in which the Group significantly influence their operating and financial decisions, hence credit risk thereon is not material to the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 47. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

## a) Credit risk (continued)

The maximum exposure to credit risk for the balances due from related parties at the reporting date by geographic region was as follows:

2010	Carrying amounts			
	Domestic	Other GCC countries	European countries	Total
Due from related parties	33,217	97,445	55,672	186,334
Financial receivables	453,625	3,550	40,874	498,049
Financial lease receivables	1,806,641	-	-	1,806,641
Available for sale financial assets	1,333,825	194,343	-	1,528,168
	<b>3,627,308</b>	<b>295,338</b>	<b>96,546</b>	<b>4,019,192</b>

2009	Carrying amounts			
	Domestic	Other GCC countries	European countries	Total
Due from related parties	2,075,331	2,348,745	26,560	4,450,636
Financial receivables	772,681	-	65,515	838,196
	<b>2,848,012</b>	<b>2,348,745</b>	<b>92,075</b>	<b>5,288,832</b>



**BARWA REAL ESTATE COMPANY Q.S.C.**
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**47. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)**
**b) Liquidity risk**

The following are the contractual maturities of financial assets and financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

2010	Carrying Amounts	Contractual cash in / (out) flows	Less than 1 year	1 – 2 years	2 – 5 Years	More than 5 years
Cash and bank balances	12,983,145	12,983,145	12,983,145	-	-	-
Financial assets through profit or loss	3,959	3,959	3,959	-	-	-
Financial receivables	498,049	498,049	498,049	-	-	-
Available for sale financial assets	2,749,458	3,099,564	-	-	278,168	2,821,396
Due from customers under financing	1,993,782	1,993,782	1,266,213	703,790	23,779	-
Financial lease receivables	1,806,641	1,806,641	160,111	804,508	842,022	-
Due from related parties	186,334	186,334	29,053	157,281	-	-
Financial Payables	(3,429,855)	(3,429,855)	(3,083,278)	-	(329,761)	(16,816)
Placements from financial institutions	(1,720,769)	(1,720,769)	(1,310,331)	(222,222)	(188,216)	-
Unrestricted investments accounts for Islamic banking contracts	(2,708,526)	(2,708,526)	(2,708,526)	-	-	-
Derivative liabilities	(674,820)	(819,439)	(819,439)	-	-	-
Liabilities for purchase of land	(3,272,667)	(3,752,298)	(610,390)	(1,128,281)	(1,458,972)	(554,655)
Due to related parties	(23,888,460)	(29,075,460)	(9,200,756)	(160,000)	(1,480,000)	(18,234,704)
Obligation under Islamic finance contracts	(24,178,951)	(25,682,286)	(17,221,850)	-	(5,740,657)	(2,719,779)
<b>Liquidity gap</b>	<b>(39,652,680)</b>	<b>(46,617,159)</b>	<b>(20,014,040)</b>	<b>155,076</b>	<b>(8,053,637)</b>	<b>(18,704,558)</b>

2009	Carrying Amounts	Contractual cash in / (out) flows	Less than 1 year	1 – 2 years	2 – 5 Years	More than 5 years
Cash and bank balances	1,927,994	1,927,994	1,927,994	-	-	-
Financial assets through profit or loss	4,073	4,073	4,073	-	-	-
Available for sale financial assets	916,851	916,851	-	916,851	-	-
Due from customers under financing	510,979	510,979	510,207	-	587	185
Financial receivables	838,196	838,196	692,057	129,268	16,871	-
Due from related parties	4,450,636	4,450,636	2,317,697	22,079	735,900	1,374,960
Islamic finance obligations	(20,050,837)	(20,521,106)	(6,067,570)	-	(11,253,536)	(3,200,000)
Liabilities for purchase of land	(3,432,151)	(3,432,151)	(47,028)	(381,246)	(1,906,230)	(1,097,647)
Unrestricted investments accounts for Islamic banking contracts	(1,088,728)	(1,088,728)	(14,204)	(1,074,524)	-	-
Financial payables	(2,699,018)	(2,699,018)	(1,749,044)	(949,974)	-	-
Due to related parties	(466,352)	(466,352)	(121,035)	-	-	(345,317)
Derivative liabilities	(284,875)	(284,875)	(284,875)	-	-	-
<b>Liquidity gap</b>	<b>(19,373,232)</b>	<b>(19,843,501)</b>	<b>(2,831,728)</b>	<b>(1,337,546)</b>	<b>(12,406,408)</b>	<b>(3,267,819)</b>

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47. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is in the process of setting acceptable parameters, based on value at risk, that may be accepted and which is monitored on a daily basis.

i. Currency risk

The Group hedges its currency exposure. However, management is in the process of studying a variety of alternatives to mitigate the Group's exposure to currency risk. The major items of the foreign currency financial liabilities are denominated in EGP, GBP and EURO. The liabilities denominated in USD are not subject to currency risk, as Qatari Riyal is pegged to the US Dollars.

*Sensitivity analysis*

A 10 percent strengthening / weakening of the Qatari Riyal against the following currencies as at 31 December would have increased / (decreased) consolidated equity and consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular finance cost rates, remain constant.

2010	Equity		Profit or loss	
	10%	10%	10%	10%
	Weakening	Strengthening	Weakening	Strengthening
USD	(761,532)	761,532	(522,436)	522,436
EURO	(160,654)	160,654	(103,919)	103,919
GBP	87,949	(87,949)	7,674	(7,674)
AED	(19,992)	19,992	(66,465)	66,465
EGP	(790,029)	790,029	-	-
KWD	129,201	(129,201)	75,479	(75,479)
SAR	84,889	(84,889)	49,585	(49,585)
BHD	19,911	(19,911)	-	-

2009	Equity		Profit or loss	
	10%	10%	10%	10%
	Weakening	Strengthening	Weakening	Strengthening
USD	(341,120)	341,120	(400,554)	400,554
EURO	(71,963)	71,963	(79,675)	79,675
GBP	39,396	(39,396)	5,884	(5,884)
AED	(8,955)	8,955	(50,959)	50,959
EGP	(353,885)	353,885	-	-
KWD	57,874	(57,874)	57,870	(57,870)
SAR	38,025	(38,025)	38,017	(38,017)
BHD	8,919	(8,919)	-	-

Equity price risk:

*Sensitivity analysis – equity price risk*

Majority of the Group's equity investments are unlisted investments which are recorded at cost subject to impairment testing where indicators to decline in value exists. While the quoted investments are listed on either Qatar Exchange or Bahrain Stock Exchange. For such quoted investments classified as available-for-sale, sensitivity is more or less matching the bench mark index.

47. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

ii. Profit rate risk

*Profile*

At the reporting date the profit rate profile of the Group's profit-bearing financial instruments was:

	Carrying amounts	
	2010	2009
<b>Fixed rate instruments</b>		
Available for sale in debt securities	1,528,167	-
Obligation for purchase of land	(3,272,667)	(3,432,151)
Unrestricted investments accounts for Islamic Banking contracts	(2,708,526)	(1,088,728)
Due to related party	(12,740,000)	-
Obligations under Islamic Finance Contracts	(16,115,000)	(12,907,143)
	<b>(33,308,026)</b>	<b>(17,428,022)</b>

	Carrying amounts	
	2010	2009
<b>Variable rate instruments</b>		
Due from customers under Islamic Financing	1,993,782	510,979
Due to related parties	(6,734,000)	-
Obligations under Islamic Finance Contracts	(8,063,951)	(7,143,694)
Derivative liabilities	(674,820)	(284,875)
	<b>(13,478,989)</b>	<b>(6,917,590)</b>

*Cash flow sensitivity for variable rate instruments*

A change of 50 basis points in profit rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2010	Equity		Profit or loss	
	50 bp increase	50 bp decrease	50 bp increase	50 bp Decrease
Variable rate financial liabilities	(98,742)	98,742	(98,479)	98,479

2009	Equity		Profit or loss	
	50 bp increase	50 bp decrease	50 bp increase	50 bp Decrease
Variable rate financial liabilities	(12,383)	12,342	(12,383)	12,342

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47. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

**Concentration risk**

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing geographic and industry wise concentration limits.

**Fair values**

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010	
	Carrying amounts	Fair values
Cash and bank balances	12,983,145	12,983,145
Financial assets at fair value through profit or loss	3,959	3,959
Financial receivables	498,049	498,049
Available for sale financial assets	2,749,458	2,749,458
Due from customers under Islamic financing	1,993,782	1,993,782
Finance lease receivables	1,806,641	1,806,641
Due from related parties	186,334	186,334
Financial payables	(3,429,855)	(3,429,855)
Placements from financial institutions	(1,720,769)	(1,720,769)
Unrestricted investments accounts for Islamic banking contracts	(2,708,526)	(2,708,526)
Derivative liabilities	(674,820)	(674,820)
Liabilities for purchase of land	(3,272,667)	(3,272,667)
Due to related parties	(23,888,460)	(23,888,460)
Obligation under Islamic finance contracts	(24,178,951)	(24,178,951)
	<b>(39,652,680)</b>	<b>(39,652,680)</b>

  

	2009	
	Carrying amounts	Fair values
Cash and bank balances	1,927,994	1,927,994
Financial assets through profit or loss	4,073	4,073
Financial receivables	838,196	838,196
Available for sale financial assets	916,851	916,851
Due from customers under financing	510,979	510,979
Due from related parties	4,450,636	4,450,636
Financial payables	(2,699,018)	(2,699,018)
Unrestricted investments accounts for Islamic banking contracts	(1,088,728)	(1,088,728)
Derivative liabilities	(284,875)	(284,875)
Liabilities for purchase of land	(3,432,151)	(3,432,151)
Due to related parties	(466,352)	(466,352)
Obligation under Islamic finance contracts	(20,050,837)	(20,050,837)
	<b>(19,373,232)</b>	<b>(19,373,232)</b>

#### 48. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### *a) Property, plant and equipment*

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of land, buildings, equipment, fixtures and fittings is based on the quoted market prices for similar items.

##### *b) Intangible assets*

The fair value of any intangible assets, other than goodwill, acquired in a business combination is based on the discounted estimated contractual payments that have been avoided as a result of the banking license or customers contracts being owned, if any. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

##### *c) Investment property*

An external, independent valuation specialists, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every reporting period. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

##### *d) Investment in equity and debt securities*

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

##### *e) Advances and other receivables*

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

**48. DETERMINATION OF FAIR VALUES (CONTINUED)**

*f) Derivatives*

The fair value of forward exchange contracts is based on their listed market price. While for the profit rate swaps, if a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free profit rate.

The fair value of profit rate swaps is also based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market profit rates for a similar instrument at the measurement date.

*g) Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the reporting date. The market rate of profit is determined by reference to similar liabilities. For finance leases the market rate of profit is determined by reference to similar lease agreements.

**49. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**a) Critical accounting judgments**

*Impairment of receivables and advances*

An estimate of the collectible amount of trade accounts receivable, advances and due from related parties 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 reporting date, there were no allowances for impairment of due from related parties or other receivables as the Group does not have collection concern with regards to its receivables from its related parties. The overdue and doubted amounts for collection amounting to QR 292,923 during the year were directly written off based on the group management determination.

*Classification of property*

The Group classified the property held for future long term capital appreciation or leases as investment property, measured at the fair value model. Fair value is determined by an independent appraisal by the end of each reporting period. Investment property is disclosed in Note 15.

While the other property held for the purpose of sale in the ordinary course of business, as disclosed in Note 7, is classified as trading property.

*Classification of investment securities*

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Group accounts for investments in equity securities as investment in associate only when significant influence over the investee's operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available for sale.

**49. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**a) Critical accounting judgments (continued)**

***Useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

***Valuation of financial instruments***

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values.

Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 49. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

a) Critical accounting judgments - *Valuation of financial instruments (continued)*

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2010

*Financial assets at fair value:*

Available for sale financial assets  
Financial assets at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
Available for sale financial assets	503,083	-	2,246,375	2,749,458
Financial assets at fair value through profit or loss	3,959	-	-	3,959
	<b>507,042</b>	-	<b>2,246,375</b>	<b>2,753,417</b>
<i>Financial liabilities at fair value:</i>				
Derivative options payable	-	(674,820)	-	(674,820)
	-	<b>(674,820)</b>	-	<b>(674,820)</b>

2009

*Financial assets at fair value:*

Available for sale financial assets  
Financial assets at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
Available for sale financial assets	187,511	-	729,340	916,851
Financial assets at fair value through profit or loss	4,073	-	-	4,073
	<b>191,584</b>	-	<b>729,340</b>	<b>920,924</b>
<i>Financial liabilities at fair value:</i>				
Derivative options payable	-	(284,875)	-	(284,875)
	-	<b>(284,875)</b>	-	<b>(284,875)</b>

## b) Estimation uncertainty

*Impairment of available-for-sale equity investments*

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, if any.

*Fair value of unquoted equity and debt investments*

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.



**49. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**b) Estimation uncertainty (Continued)**

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill embedded in the cost of acquisition of subsidiaries and associates and other indefinite life intangibles, if any, are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The estimates used by management in testing impairment of the goodwill resulting from business combinations are as follows:

*Key assumptions used in value in use calculations:*

The calculation of value in use for cash generating units relating to real estate projects are most sensitive to the following assumptions:

- *Gross margin*

Gross margins are based on average values achieved in the period preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

- *Discount rates*

Discount rates represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the profit bearing Islamic borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data.

- *Growth rate*

Growth rate is used to extrapolate cash flows beyond the budget period.

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50. SEGMENT INFORMATION

a) Geographical segments

The segment reporting format is determined to be business segments on the Group's risks and rates of return are affected pre-dominantly by differences in the products and services produced for the geographical areas. The businesses are organized and managed separately according to the nature of products and services provided, with each segment representing strategic business units that offers different products and serves different markets. These segments are distributed over various established subsidiaries all over the world to achieve the Group spread-over objectives.

*Geographical distribution of business segments*

2010	State of Qatar	United Kingdom	North Africa	Other GCC countries	Other European countries	Total
Revenues and income	8,277,067	30,405	2,367	93	34,584	8,344,516
Expenses and losses	(6,321,929)	(52,790)	(33,828)	(308,440)	(48,356)	(6,765,343)
Net share of results of associates	(168,080)	-	-	-	-	(168,080)
<b>Results for the year</b>	<b>1,787,058</b>	<b>(22,385)</b>	<b>(31,461)</b>	<b>(308,347)</b>	<b>(13,772)</b>	<b>1,411,093</b>
<b>Assets and liabilities</b>						
Segment assets	64,925,564	2,024,032	5,096,967	964,004	971,620	73,982,187
Segment liabilities	(56,880,491)	(10,624)	(2,903,468)	(123,945)	(962,966)	(60,881,494)
<b>Net assets of the geographical segments</b>	<b>8,045,073</b>	<b>2,013,408</b>	<b>2,193,499</b>	<b>840,059</b>	<b>8,654</b>	<b>13,100,693</b>

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50. SEGMENT INFORMATION (CONTINUED)

2009	State of Qatar	United Kingdom	North Africa	Other GCC countries	Other European countries	Total
Revenues and income	1,505,476	44,733	294,363	291	90,823	1,935,687
Expenses and losses	(1,827,289)	(54,470)	(66,655)	(50,572)	(225,719)	(2,224,705)
Net share of results of associates	1,032,694	-	-	-	-	1,032,694
Results for the year	710,881	(9,737)	227,708	(50,281)	(134,896)	743,676
Assets and liabilities						
Segment assets	26,832,568	389,338	5,436,796	1,053,665	1,189,095	34,901,463
Segment liabilities	(22,158,813)	(62,923)	(5,179,979)	(551,925)	(1,176,463)	(29,130,104)
Net assets of the geographical segments	4,673,755	326,415	256,817	501,740	12,632	5,771,359

50. SEGMENT INFORMATION (CONTINUED)

b) Business segments

For management purposes, the Group is organized 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. These businesses are mainly related to equity investments, and other services.

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

2010	Real estate	Banking and financing activities	Investing activities and others	Total
Total segment income	8,019,125	(6,551)	163,862	8,176,436
Total segment expenses	(6,450,205)	(11,286)	(303,852)	(6,765,343)
Segment results	1,568,920	(17,837)	(139,990)	1,411,093
Segment assets	65,628,998	7,657,262	695,927	73,982,187

2009	Real estate	Banking and financing activities	Investing activities and others	Total
Total segment income	2,854,716	68,931	44,733	2,968,381
Total segment expenses	(2,086,773)	(83,463)	(54,470)	(2,224,705)
Segment results	767,944	(14,531)	(9,737)	743,676
Segment assets	32,065,943	2,446,182	389,338	34,901,463

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51. PRIOR PERIOD ADJUSTMENTS

As disclosed in Note 1 to the issued consolidated financial statements of the Group for the year ended 31 December 2009 that was issued on 15 March 2010, the consolidated financial statements of the subsidiary Barwa Bank for the year ended 31 December 2009 were approved by the Group management and issue of these financial statements was subject to the approval of Qatar Central Bank ("QCB"). The consolidated financial statements of Barwa Bank were subsequently issued on 7 June 2010 after obtaining the approval of the QCB.

In reference to the acquisition of The First Investor Q.S.C.C. ("TFI") by Barwa Bank that took place during December 2009, the QCB decided to reduce the value of the issued shares by Barwa Bank to acquire TFI, and not to recognize any intangible assets as a result of the acquisition, other than the resulting goodwill after changing the acquisition cost. The above resulted in reducing the cost of acquisition of TFI at the Group level by QR 49,043 thousand, and reducing the fair value of the acquired net identifiable assets by QR 199,510 thousand as detailed in the following schedule:

	As initially recorded In 000 QR	As restated In 000 QR	Restatement effect In 000 QR
Acquisition cost (Note i)	353,159	304,116	49,043
Fair value of acquired net assets (Note ii)	(414,126)	(214,616)	(199,510)
Resulting (bargain purchase gain) / goodwill loss on assuming preexisting non-controlling interest	(60,967) 2,263	89,500 2,263	(150,467) -
Total (bargain purchase gain) / goodwill arising from the acquisition (Note iii)	(58,704)	91,763	(150,467)
Recognized amortization on the intangible assets from the acquisition up to 31 December 2009 (Note iv)	2,551	-	2,551

(i) The reduction in acquisition cost at the Group level directly reduced the recognized non-controlling interest from the acquisition by QR 49,043 thousand.

(ii) The reduction in the fair value of the acquired net assets eliminated the previously recognized intangible assets (banking license and customers list) by QR 199,510 thousand.

(iii) The retained earnings balance as at 31 December 2009 was restated by QR 58,704 thousand as a result of reversing the previously recognized bargain purchase gain on acquisition, and the goodwill on acquisition amounting to QR 91,763 thousand was recorded.

(iv) The previously recorded amortization on the banking license up to 31 December 2009 amounting to QR 2,551 thousand was reversed against restating the retained earnings balance as of the same date.

(v) Further, QR 2,768 thousand was transferred from the retained earnings as at 31 December 2009 to the risk reserve as of that date.

In addition, net profit attributed to the shareholders of the Parent for the comparative year ended 31 December 2009 was restated by QR 19,988 thousand representing 2.5% from the restated net profit for the comparative year, for contribution to Social and Sports Fund, which was treated during the current year as distribution of income through retained earnings rather than an expense charged to profit or loss, in accordance with the Government related regulation in the same regard.

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51. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

*The effect of the abovementioned prior period adjustments on the consolidated retained earnings balance as at 1 January 2010 is summarized as follows:*

	In 000 QR
Decrease in retained earnings due to reversing bargain purchase gain on acquisition (Note i)	(58,704)
Increase in retained earnings due to reversing the previously recorded amortization on intangible assets (Note iv)	2,551
Decrease in retained earnings due to the transfer to risk reserve	(2,768)
Net effect of the restatements above on the retained earnings balance as at 31 December 2009	<b>(58,921)</b>
Retained earnings balance as at 31 December 2009 as previously stated	1,391,885
Retained earnings balance as at 31 December 2009 as restated	<b>1,332,964</b>

*The effect of the abovementioned prior period adjustments on the net profit for the prior year ended 31 December 2009 is summarized as follows:*

	In 000 QR
Net profit for the year ended 31 December 2009 as previously stated	779,512
Less: decrease in net profit due to reversing bargain purchase gain on acquisition (Note iii)	(58,704)
Add: increase in net profit due to reversing the previously recorded amortization on intangible assets (Note iv)	2,551
Add: contribution to Social and Sports Fund charged directly to retained earnings	19,988
Net profit for the year ended 31 December 2009 as restated	<b>743,347</b>

52. SUBSEQUENT EVENTS

The Group sold its wholly owned subsidiary Park House Limited to one of the local banks on 14 January 2011 for total sale consideration amounting to QR 1,913 million.

53. COMPARATIVE FIGURES

The comparative figures presented for 2009 have been reclassified where necessary to preserve consistency with the 2010 figures. However, such reclassifications did not have any effect on the consolidated net profit, or comprehensive income or the total consolidated equity for the comparative year.