

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 balance sheet as at 31 December 2008, the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as at and for the year ended 31 December 2007 were audited by another auditor whose report dated 24 February 2008 expressed an unqualified audit opinion.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, 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 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

The consolidated income statement includes Qatar Riyals 55,564,000 relating to the Group's share of profits from equity accounting of the results of an investee for the period ended 31 December 2008. This amount has been included based on the management accounts prepared by the investee as the audit of the financial statements of the investee has not been completed by another auditor whose draft report issued expressed an unqualified audit opinion with an "emphasis of matter" paragraph in relation to the material uncertainty over the recoverability of the receivable as disclosed in note 15 to these consolidated financial statements. We did not carry out any other procedures in this regard to quantify the effect of the above matter on the consolidated financial statements.

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 Financial Centre Regulatory Authority's regulations or the terms of Articles of Association having occurred during the period which might have had a material effect on the business of the Group or its consolidated financial position as at 31 December 2008. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

2 March 2009
Doha
State of Qatar

Ahmed Hussain
KPMG
Qatar Auditor's Registry No. 197

Barwa Real Estate Company Q.S.C.
Independent Auditors' Report

THE BOARD OF DIRECTORS' REPORT

ON THE FISCAL YEAR ENDED DECEMBER 31, 2008 AND THE FEATURES OF THE COMPANY'S FUTURE PLAN FOR 2009

To the shareholders of BARWA Real estate

On behalf of the Board of Directors, it gives me great pleasure to present the annual report and the consolidated financial statements of BARWA Real Estate (Q.S.C) and its subsidiaries for 2008.

The overall performance and achievements in 2008

In spite of its short time in operation, BARWA Real Estate has occupied a prominent leading position among the largest real estate institutions in Qatar and the region, through its innovative projects. This leadership was culminated by the trust and appreciation the company has acquired at all official levels and among the local and regional institutions. In 2008, BARWA was awarded the "Best Islamic Real Estate Institution Globally" at the International Real Estate Finance Summit 2008 from the International Real Estate and Financial Forum in London, where many companies which work in accordance with the provisions of Islamic Shariah law. "Urjuan Project" was also awarded "The Best Real Estate Development Project in Qatar", and "Arkiyah Farm" of Hassad BARWA has received the award of Innovation and Excellence at the 12th Gulf Engineering Forum in Doha.

As a brief overview of BARWA milestones in 2008, on the local projects' level, BARWA, through its subsidiary BARWA Al-Khor, launched Urjuan project. It is a mega project for the development of a modern and integrated city contributing to making Al Khor area one of the leading and prominent touristic destinations in the region and the world. It will help connecting the north industrial cities with Doha. In addition, work is under way in executing the first phase of Barwa Village, which includes residential and commercial village. This project is considered one of the basic components of reconstructing Al Wakra region. BARWA awarded Hochtief, a German construction company, works of the 8 km BARWA Commercial Avenue project. This project seeks, in particular, to serve investors and businessmen. The second tender for the new Interim Convention Center, which is developed by Qatari Diar, was also awarded, under the management of Qatari Diar.

The company has handed down residential units of the first phase of BARWA Housing Program to the beneficiaries. Accordingly, thousand families moved in. Besides, BARWA Al Baraha Truck Park, which is the first of its kind in Qatar and The Middle East and the largest in the world, was opened.

To support the real estate industry, BARWA has established various local companies such as BARWA Cooling, which aims to design, execute and construct cooling plants and fields in the regions. Other companies are BARWA for building materials, which operates in the field of manufacturing all building materials and supplies and assembling them locally, and BARWA Technology which provides estate digital products and materials. Also, BARWA has established BARWA Media for providing communications and marketing services, and Qatar Project Management to follow the development of companies' local and international projects. In addition, Hassad BARWA has started its production operations, while NUZUL Holding, one of BARWA associates, has inaugurated its second project of hotel apartments "Somerset" in the west bay area of Doha.

At the international level, BARWA has added to its European investment portfolio the "Shard of Glass" project, the tallest tower in the city of London, which lies on the renowned London Bridge. Furthermore, the company has acquired two hotels in Switzerland in line with its objectives in developing a balanced portfolio of high value estate assets.

On strategic partnerships' level, BARWA has signed many agreements with regional and global partners, to benefit from its partners' expertise and global presence for the support of the company's policy at the estate and investment levels. Among these partnerships' agreements was an agreement executed with Kempenski S.A. for establishing "Shaza" hotel series which work in accordance with Islamic Shariah, and an agreement with "SUN" group for penetrating the Indian market, also a partnership with Qatari Diar and SUEZ for establishing "Khadamat", as well as partnership with Cisco to enhance the efficiency of technology services.

Human investment and restructuring

Qatarization topped the company's agenda in 2008; therefore, it kept its door wide open for Qatari young men to join. The overall job ratio for locals has reached 35%, including more than 85% for the senior managements' posts. Furthermore, the company has paid great attention to its staff, in terms of training and skills development, providing around 30 scholarships in Qatar and abroad per year.

The company has also linked the concept of restructuring and regulation with the corporate performance improvement process and quality management. Major consulting firms' assistance was acquired in this regard. The flexibility and rapid future expansion of the company were taken into account, within the framework of the new organizational structure. Decentralization of its subsidiaries' activities, central administrative support services such as risk management, IT and liquidity departments, in addition to the central human resources systems, regulations and administrative policies, which were also taken into consideration. An ERP system was also initiated, serving all sectors of the financial, human resources and administrative services, to achieve greater coherence, effectiveness and quality performance. Project management systems developed by the company's staff, in co-operation with experienced firms, were launched, to embed various functional operations within the project cycle, according to international standards.

Contributions to social development

In 2008, BARWA continued maintaining its commitment towards its social corporate responsibilities. In addition to current social projects, such as Barwa Housing and Barwa Al-Baraha, the company further provided its financial support through sponsoring many activities and events, such as General Directorate of Civil Defence, Qatar Property Investment Forum (Estate Qatar), Holy Quran memorization competitions, Qatari Diar Arts Symposium, and "See Qatar" program. Barwa also signed a memorandum of understanding with Qatar Centre for Voluntary Action, to exchange experiences and services aimed at providing trained man force to support the civil society.

Moreover, to further its global presence, Barwa has sponsored Formula One Campos second-class team "GP2". The team finished first in overall Asia competitions, highlighting the company's presence worldwide.

Features of the future plan in 2009

2009 will be full of challenges in light of the global financial crisis. That's why we are watching the indications and performance of the global markets closely in order to seize the optimal investment opportunities, after conducting adequate studies and choosing the right time. We stress on the fact that we have a lot of responsibilities to achieve and lucrative opportunities to find, through which we aim to add value to our shareholders. That's why we decided to strengthen our leading position in the local market with full commitment of achieving the best results from our outside investments.

BARWA business plan for 2009 bases on major titles, which are the reshaping of projects' map, arranging its priority schedule and restructure, seeking to abolish the risks related to the fluctuations in financial markets, as well as identifying opportunities for profitable investments with quick turnover whilst taking advantage of the valuable technical studies of our consultancy companies and partner international experts.

BARWA financial strategy will rely on seeking unusual financing opportunities for our projects, as creating investment funds and portfolios, besides reducing the financing costs through coverage contracts. We will work to benefit from the fluctuations in the global exchange rates, and from the operational plan in facing the decline of initial constructing materials in the companies' projects.

Thanks and appreciations

Finally, I would like to assure that we couldn't achieve those earnings, and assume this position without the support of wise leadership. We grant to H.H. Sheikh Hamad Bin Khalifa Al Thani the Emir of the State of Qatar Our deepest thanks and gratitude, and to H.H Sheikh Tamim Bin Hamad Bin Khalifa Al Thani our appreciation and regards. We also owe gratitude to the shareholders of the company and our strategic partners for their trust and confidence in us, and our deep thanks to BARWA's staff, who have been dedicated to the service of their company, and we say to them, that you are the backbone of BARWA, and the strong f that allows us to move towards our goal and our vision for the future of Qatar.

Wa aslamualikum wa Rahmato Allah wa Barakato

Ghanim Bin Saad Al Saad
Chairman & Managing Director

Business strategies review

No doubt that the global economic crisis' fluctuations have overshadowed many countries, business and trading institutions. Accordingly, Barwa stands today on the threshold of a new and important stage, possibly attainable only through objective, flexible and strategic planning, based on the ongoing review of the company's work and its rapid response to the market's requirements and developments.

The company's priorities have been identified and investment policies and strategies in Europe and other countries were reshaped to cope with global challenges. We reaffirm our investment strategy which is based on diversifying our sources of income and risk profile by adding new activities to our already diversified investment portfolio including services and industrial activities, facilities and properties' management and building materials manufacturing.

BARWA REAL ESTATE COMPANY Q.S.C



CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

In thousands of Qatari Riyals

	notes	2008	2007 Restated
ASSETS			
Cash and bank balances	5	538,833	769,925
Financial assets at fair value through profit or loss	6	3,987	6,514
Trading properties	7	104,732	375,749
Receivables and prepayments	8	807,562	200,145
Available for sale financial assets	9	1,853,507	1,642,812
Advances for projects and investments	10	3,097,100	4,157,023
Property under development	11	10,472,637	3,245,909
Due from related parties	12.a	2,522,977	2,642,963
Investment property	13	1,506,218	1,659,254
Investment in associates	14	543,092	596,852
Investment in a joint venture	15	285,407	-
Goodwill	16.c	97,547	68,659
Other intangible assets	17	8,018	8,000
Property, plant and equipment	18	1,009,865	321,798
Assets classified as held for sale	19	1,465,661	-
TOTAL ASSETS		24,317,143	15,695,603
LIABILITIES AND EQUITY			
Payables and accruals	20	1,850,731	686,709
Due to related parties	12.b	656,725	1,599,331
Liabilities for purchase of land	21	3,414,871	-
Obligations under Islamic finance contracts	22	12,476,365	9,141,981
Liabilities under derivative contracts	23	106,699	-
Deferred tax liabilities	24.a	108,190	139,279
Provisions	25	909,271	903,412
Liabilities related to assets classified as held for sale	19	21,774	-
TOTAL LIABILITIES		19,544,626	12,470,712
EQUITY			
Share capital	26	2,625,000	2,000,000
Legal reserve	27	126,853	98,222
General reserve	28	1,041,697	40,000
Available for sale investments fair value reserve		45,781	18,773
Cash flow hedge reserve	23	(112,384)	-
Translation reserve	29	35,937	42,850
Retained earnings		679,857	775,328
Equity attributable to shareholders of the Parent		4,442,741	2,975,173
Minority interest	30	329,776	249,718
TOTAL EQUITY		4,772,517	3,224,891
TOTAL LIABILITIES AND EQUITY		24,317,143	15,695,603

These consolidated financial statements were approved and signed on behalf of the Board of Directors by the following on 2 March 2009:

Ghanim Bin Saad Al Saad
Chairman and Managing Director

Nasser Al Ansari
Board Member

The attached notes from 1 to 43 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2008

In thousands of Qatari Riyals

	notes	2008	2007
INCOME AND GAINS			
Profit on sale of property	31	773,656	215,497
Profit from hotels activities		1,665	-
Gain on sale of a subsidiary	32	43,731	-
Finance income	33	167,618	181,780
Management fees income	12.d	41,168	-
Commission income		18,200	-
Dividend income		106,480	42,363
Rental income		115,066	68,158
Gain on sale of available for sale investments		6,490	-
Share of results from associates	14.b	17,255	424,182
Share of results from a joint venture	15	55,564	-
Foreign currency revaluation gain / (loss)		24,836	(32,529)
Other income		34,681	2,435
		1,406,410	901,886
EXPENSES AND LOSSES			
Loss / (gain) on revaluation of investment property	13	109,314	(147,873)
Staff cost		196,908	60,639
Advertising and promotion		26,770	9,542
Professional fees		100,757	25,710
Finance charges	33	457,092	361,788
General and administrative expenses	34	204,682	57,340
Unrealized losses / (gains) on re-measurement of financial assets at fair value through profit or loss	6	2,527	(514)
Losses / (gains) from derivative instruments	23,33	36,990	(26,570)
		1,135,040	340,062
NET PROFIT BEFORE TAXES			
Income taxes (net deferred tax benefit)	24.b	34,504	-
		305,874	561,824
NET PROFIT FOR THE YEAR			
<i>Attributable to</i>			
Equity holders of the Parent		309,960	529,693
Minority interest	30.b	(4,086)	32,131
		305,874	561,824
BASIC AND DILUTED EARNINGS PER SHARE			
	35	1.46	2.49

The attached notes from 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

In thousands of Qatari Riyals

Attributable to Equity Holders of the Parent

2007 (Restated)	Share Capital	Legal reserve	General reserve	Available for sale investments fair value reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 31 December 2006 as previously stated	2,000,000	45,253	40,000	10,869	-	-	407,280	2,503,402	-	2,503,402
Prior year adjustments (Note 42)	-	-	-	-	-	(122)	(107,176)	(107,298)	-	(107,298)
As at 31 December 2006 as restated	2,000,000	45,253	40,000	10,869	-	(122)	300,104	2,396,104	-	2,396,104
Net profit for the year	-	-	-	-	-	-	529,693	529,693	32,131	561,824
Net movement in unrealized gains on available-for-sale financial assets	-	-	-	7,904	-	-	-	7,904	-	7,904
Movement in translation reserve	-	-	-	-	-	42,972	-	42,972	-	42,972
Total recognized income and expense for the year	-	-	-	7,904	-	42,972	529,693	580,569	32,131	612,700
Transfer to legal reserve	-	52,969	-	-	-	-	(52,969)	-	-	-
Board of directors' remuneration	-	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Minority's share in issued capital of subsidiaries (Note 30.b)	-	-	-	-	-	-	-	-	217,587	217,587
Balance at 31 December 2007	2,000,000	98,222	40,000	18,773	-	42,850	775,328	2,975,173	249,718	3,224,891

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

In thousands of Qatari Riyals

Attributable to Equity Holders of the Parent

2008	Share Capital	Legal reserve	General reserve	Available for sale investments fair value reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 31 December 2007 as restated – Note 42	2,000,000	98,222	40,000	18,773	-	42,850	775,328	2,975,173	249,718	3,224,891
Net profit for the year	-	-	-	-	-	-	309,960	309,960	(4,086)	305,874
Net movement in effective portion of cash flow hedges (Note 23)	-	-	-	-	(112,384)	-	-	(112,384)	-	(112,384)
Net movement in unrealized gains on available-for-sale financial assets	-	-	-	27,008	-	-	-	27,008	-	27,008
Movement in translation reserve	-	-	-	-	-	(6,913)	-	(6,913)	(50,900)	(57,813)
Total recognized income and expense for the year	-	-	-	27,008	(112,384)	(6,913)	309,960	217,671	(54,986)	162,685
Bonus shares issued	125,000	-	-	-	-	-	(125,000)	-	-	-
Additional share capital introduced	500,000	-	1,001,697	-	-	-	1,501,697	1,501,697	-	1,501,697
Cash dividend declared for 2007	-	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Transfer to legal reserve	-	28,631	-	-	-	-	(28,631)	-	-	-
Board of directors' remuneration	-	-	-	-	-	-	(1,800)	(1,800)	-	(1,800)
Minority's share in issued capital of subsidiaries (Note 30.b)	-	-	-	-	-	-	-	-	135,044	135,044
Balance at 31 December 2008	2,625,000	126,853	1,041,697	45,781	(112,384)	35,937	679,857	4,442,741	329,776	4,772,517

The attached notes from 1 to 43 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 2008

In thousands of Qatari Riyals

	notes	2008	2007
OPERATING ACTIVITIES			
Net profit for the year		305,874	561,824
Adjustments for:			
Loss / (Gain) on fair value adjustment of investment property	13	109,314	(147,873)
Unrealized losses / (gains) on financial assets held for trading	6	2,527	(514)
Gain on liquidation of investments		(6,490)	-
Depreciation	18	17,567	5,156
Net deferred tax benefit	24	(34,504)	-
Share of results from associates	14	(17,255)	(424,182)
Share of results from joint venture	15	(55,564)	-
Loss on sale of equipment		-	588
Dividend declared by associates	14	352,654	-
Deferred income from sales to associates	32	11,916	-
Provided severance provision	25	5,859	338
Net finance expense and dividends		219,984	-
Operating profit / (loss) before working capital changes		911,882	(4,663)
Changes in working capital			
Increase in receivables and prepayments		(830,442)	-
Decrease in due from related parties		119,986	516,547
Decrease / (Increase) in trading property		271,017	(301,532)
Increase in payables and other credit balances		1,164,022	1,047,386
(Decrease) / Increase in due to related parties		(942,606)	89,520
Net finance expense and dividends		(219,984)	-
NET CASH FROM OPERATING ACTIVITIES		473,875	1,347,258
INVESTING ACTIVITIES			
Payments for acquisition of subsidiaries net of cash acquired	16	(693,455)	(184,324)
Payments for establishment of property under development		(4,259,299)	(7,240,347)
Receipts from Government grant	11	325,000	-
Payments for acquisition of associates	14	(293,555)	(178,443)
Payments for acquisition of a joint venture	15	(229,843)	-
Payments for purchase of available for sale financial assets		(183,687)	(751,154)
Payments for enhancement / acquisition of investment property		(576)	(1,417,217)
Payments for purchase of property, plant and equipment		(542,512)	(11,936)
Proceeds from sale of available for sale financial assets		47,399	-
NET CASH USED IN INVESTING ACTIVITIES		(5,830,528)	(9,783,421)
FINANCING ACTIVITIES			
Proceeds from increase in the Parent's capital	26	1,501,697	-
Proceeds from obligations under Islamic finance contracts	22	6,687,669	8,722,607
Payments from the outstanding Islamic finance obligations	22	(3,282,094)	-
Dividends paid		(250,000)	-
Board of Directors' remuneration paid		(1,800)	(1,500)
Proceeds from minority's share in subsidiaries' capital	30	135,044	217,587
Restricted bank balances	5	159,447	-
NET CASH FROM FINANCING ACTIVITIES		4,949,963	8,938,694
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
Net translation differences		(406,690)	502,531
Cash and cash equivalents at the beginning of the year		769,925	224,422
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	379,386	769,925