QATARI DIAR UK LIMITED

Directors' report and financial statements

Registered number 06569590

For the year ended 31 December 2011

Contents

Directors' report

The directors of Qatari Diar UK Limited present their directors' report and financial statements for the year ended 31 December 2011

Principal activities and review of the business

The company's principal activity is to act as a market research advisor focusing on existing and potential investment opportunities of Qatari Diar Real Estate Investment Company and to provide supervisory and administrative services to group companies within the United Kingdom

Results and dividends

The profit for the year dealt within the financial statements is £260,253 (2010 £5,748,825)

The directors are satisfied with the financial performance and the position of the company for the year ended 31 December 2011

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010 £nil)

Directors

The following directors have held office during the financial year

John Philip Wallace	
Ghanim Bin Saad Al-Saad	(resigned on 4 January 2011)
Ahmed Al Mazroei	(resigned on 4 January 2011)
Mohammed Hedhfa Al-Adba	(appointed on 4 January 2011)
Yousuf Ahmad Hassan Al-Hammadi	(appointed on 4 January 2011)

Political and charitable contributions

The company made £2,500 of charitable donations in the year (2010 £nil) and did not incur any political expenditure during the year (2010 £nil)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is are aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

John Philip Wallace
Director

Date 10/02/12

77 Grosvenor Street
London
W1K 3JR
United Kingdom

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

KPMG LLP

Report of the independent auditor to the shareholder of Qatari Diar UK Limited

We have audited the financial statements of Qatari Diar UK Limited for the year ended 31 December 2011 set out on pages 6 to 19 The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinion we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

WEJ Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square

London E14 5GL

Date 17 February 2012

Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011	2010
		£	£
Revenue	1,2	6,652,955	10,860,124
Cost of sales		(6,179,018)	(4,868,146)
Gross profit		473,937	5,991,978
Administrative expenses		-	(57,628)
Operating profit	3	473,937	5,934,350
Net finance income		1,703	-
Net foreign exchange loss	6	(121,621)	(337,695)
Net financing expenses		(119,918)	(337,695)
Profit before tax		354,019	5,596,655
Taxation	7	(93,766)	152,170
Profit for the year		260,253	5,748,825
Other comprehensive income		-	-
Total comprehensive income for the year		260,253	5,748,825

The results of the company are derived entirely from continuing activities There was no income and expense for the current financial year other than that reported in the statement of comprehensive income

Pages from 10 to 19 form a part of the Notes to the Financial Statements

Statement of Financial Position
As at 31 December 2011

	Note	2011	2010
		£	£
Non-current assets			
Property, plant and equipment	8	222,662	132,502
Intangible asset	8	756,069	830,897
Deferred tax asset	7	60,721	153,888
		1,039,452	1,117,287
Current assets			
Trade and other receivables	10	3,622,400	3,558,487
Amount due from parent company	14	9,888,665	4,941,814
Amount due from group companies	14	12,917,087	7,149,364
Cash and cash equivalents		1,956,949	290,439
		28,385,101	15,940,104
Total assets		29,424,553	17,057,391
Current liabilities			
Trade and other payables	11	4,497,584	1,733,780
Amount due to parent company	14	25,197,554	15,854,449
Total liabilities		29,695,138	17,588,229
Net liabilities		(270,585)	(530,838)
Equity			
Share capital	12	1	1
Retained earnings	12	(270,586)	(530,839)
Total equity	12	(270,585)	(530,838)

These financial statements were approved by the board of directors on 10/02/12 and were signed on 10/02/12 its behalf by

John Philip Wallace
Director

Company registration number 06569590

Pages from 10 to 19 form a part of the Notes to the Financial Statements

Statement of Changes in Equity
For the year ended 31 December 2011

	Note	Share capital	Retained earnings	Total equity
		£	£	£
Balance at 31 December 2009		1	(6,279,664)	(6,279,663)
Profit for the year		-	5,748,825	5,748,825
Balance at 31 December 2010		1	(530,839)	(530,838)
Profit for the year		-	260,253	260,253
Balance at 31 December 2011	12	**1**	**(270,586)**	(270,585)

Pages from 10 to 19 form a part of the Notes to the Financial Statements

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 £	2010 £
Cash flows from operating activities			
Profit before tax		354,019	5,596,655
Adjustments for			
Depreciation, amortisation and impairment	8	167,659	132,375
		521,678	5,729,030
Increase in trade and other receivables		(43,046)	(12,801,216)
Increase in trade and other payables		2,763,803	988,235
Cash flow from operations		3,242,435	(6,083,951)
Corporation tax paid		(21,464)	(1,720)
Net cash flow from operating activities		3,220,971	(6,085,671)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(182,992)	(35,095)
Interest received		-	-
Net cash flow from investing activities		(182,992)	(35,095)
Cash flows from financing activities			
(Decrease)/Increase in intercompany funding		(1,371,469)	6,382,778
Net cash generated from financing activities		(1,371,469)	6,382,778
Net increase in cash and cash equivalents		1,666,510	262,012
Cash and cash equivalents at beginning of the year		290,439	28,427
Cash and cash equivalents at the end of the year		1,956,949	290,439

Pages from 10 to 19 form a part of the Notes to the Financial Statements

Notes (forming part of the financial statements)

1 Accounting policies

Qatari Diar UK Limited (the "Company") is a company incorporated and domiciled in the UK

Basis of preparation

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The financial statements are presented in Sterling prepared on the historical cost basis The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

The following Adopted IFRSs have been issued but have not been applied by the company in its financial statements Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- Amendment to IFRS 7 'Improving Disclosures about Financial Instruments'
- Amendments to IAS 39 'Reclassification of Financial Assets Effective Date and Transition'
- Improvements to IFRSs (issued 16 April 2009)

Going concern

The financial statements have been prepared on the going concern basis notwithstanding the company's net current liabilities of £270,585, which the directors believe to be appropriate as Qatari Diar Real Estate Investment Company Q S C has provided an undertaking that for at least 12 months, from the date of approval of these financial statements, they will make available such funds as are needed by the company This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Foreign currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Sterling at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised directly in equity Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to Sterling at foreign exchange rates ruling at the dates the fair value was determined

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables

Trade and other receivables

Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

Notes (continued)

1 Accounting policies *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses Lease payments are accounted for as described below

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment Land is not depreciated The estimated useful lives are as follows

- plant and equipment - 3 years
- fixtures and fittings - 5 years
- IT equipment – 3 years (grouped within equipment)

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Other intangible assets are amortised from the date they are available for use The estimated useful lives are as follows

- lease premium - over the term of the lease

Notes (continued)

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured 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 risks specific to the liability

Impairments

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, 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 If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

Revenue

A transfer pricing margin is applied to the operating cost charged to income statement in respect of the service the company provides to its group companies

The company's business activity is that described in the Directors' Report, and accordingly all revenue is generated within the group of Qatari Diar Real Estate Investment Company

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains

Foreign currency gains and losses are reported on a net basis

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

Notes (continued)

2 Revenue

	2011 £	2010 £
Rendering of services		
- to parent company	3,391,045	4,941,814
- to group company	3,261,910	5,918,310
	6,652,955	10,860,124

The 2010 revenue included the back dated income for 2008 and 2009 on services provided to both the parent and group companies No income was recognised in 2008 or 2009 as revenue could not be measured reliably at the time In 2010, the transfer pricing agreement was reached between the company and its parent and subsequently revenue was recognised retrospectively

3 Operating profit

Included in the operating profit is the following amount paid to the auditor	2011 £	2010 £
- Audit of financial statements	12,650	12,000
- Accounting assistance	1,000	1,000
	13,650	13,000

4 Staff numbers and costs

The average number of employees (including directors) during the year was 19 (2010 18)

	2011 No.	2010 No.
Number of employees		
Director	1	1
Development	10	9
Finance	1	1
HR	1	1
Legal	1	1
Administration	5	5
	19	18

The aggregate payroll costs of these persons were as follows:

	2011	2010
Wages and salaries	2,716,313	2,446,975
Social security costs	330,304	306,158
	3,046,617	2,753,133

Notes (continued)

5 Directors' remuneration

	2011 £	2010 £
Directors' emoluments	427,978	303,339
	427,978	303,339

6 Finance income and expenses

	2011 £	2010 £
Foreign exchange loss on intercompany payable	(121,621)	(337,695)
	(121,621)	(337,695)

7 Taxation

Recognised in the income statement	2011 £	2010 £
Current tax expense		
Current year charge	599	-
Prior year adjustment	-	1,718
Current tax charge	599	1,718
Deferred tax expense		
Current year charge	90,470	28,160
Prior year adjustment	(8,702)	(187,748)
Adjustment due to change in tax rate on opening deferred tax asset	11,399	5,700
Deferred tax charge/(credit)	93,167	(153,888)
Total tax charge/(credit)	93,766	(152,170)

Notes (continued)

7 **Taxation** (continued)

Reconciliation of total tax charge/(credit)	**2011 £**	**2010 £**
Profit for the year	354,019	5,596,655
Tax at the UK standard corporation tax rate of 26 5% (2010 28%)	93,815	1,567,063
Prior year adjustment	(8,702)	(186,030)
Income not taxable	(13,114)	(1,554,420)
Depreciation in excess of capital allowances	15,796	15,517
Reduction in tax rate	5,971	5,700
Total tax charge/(credit)	93,766	(152,170)

Recognised in the Balance sheet

Deferred tax asset

Deferred tax asset carried forward	(60,721)	(153,888)
The deferred tax asset is made up of the following		
Tax losses	(50,244)	(153,888)
Accelerated Capital Allowances	(10,477)	-
	(60,721)	(153,888)

A deferred tax asset of £60,721 has been recognised in the balance sheet (2010 £153,888) as it is considered probable that future taxable profits will be available against which the temporary difference can be utilised

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date The overall effect of the further reductions from 25% to 23% if these applied to the deferred tax balance at 31 December 2011 would be to further reduce the deferred tax asset by approximately £1,214

Notes (continued)

8 Property, plant and equipment & Intangible assets

	Intangible asset (Lease premium) £	Plant and equipment £	Fixtures & fittings £	Total £
Cost				
Balance at 1 January 2011	1,001,054	96,923	150,000	1,247,977
Additions during the year	-	50,705	132,287	182,992
Balance at 31 December 2011	1,001,054	147,628	282,287	1,430,969
Depreciation				
Balance at 1 January 2011	(170,157)	(46,921)	(67,500)	(284,578)
Depreciation charge for the year	(74,828)	(42,227)	(50,605)	(167,659)
Balance at 31 December 2011	(244,985)	(89,148)	(118,105)	(452,237)
Net book value				
At 31 December 2011	**756,069**	**58,480**	**164,182**	**978,731**
At 31 December 2010	830,897	50,002	82,500	963,399

	Intangible asset (Lease premium) £	Plant and equipment £	Fixtures & fittings £	Total £
Cost				
Balance at 1 January 2010	1,001,054	61,828	150,000	1,212,882
Additions during the year		35,095		35,095
Balance at 31 December 2010	1,001,054	96,923	150,000	1,247,977
Depreciation				
Balance at 1 January 2010	(95,329)	(19,374)	(37,500)	(152,203)
Depreciation charge for the year	(74,828)	(27,547)	(30,000)	(132,375)
Balance at 31 December 2010	(170,157)	(46,921)	(67,500)	(284,578)
Net book value				
At 31 December 2010	**830,897**	**50,002**	**82,500**	**963,399**
At 31 December 2009	905,725	42,454	112,500	1,060,679

The lease premium relates to the acquisition of a short term leasehold interest which ends on 4 February 2022 at the company's office premises of 77 Grosvenor Street, London This premium is amortised over the term of the lease

Notes (continued)

9 Obligations under leasing agreements

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is set out below

	2011 £	2010 £
Obligations over leasing agreements		
Not later than one year	886,081	721,760
Later than one year and not later than five years	5,516,180	5,069,586
Later than five years	6,953,983	8,338,431
	13,356,244	14,129,777

	2011 £	2010 £
Rental Expense in the year:		
Ground & Lower Ground Floors	540,930	173,258
Fifth Floor	721,760	721,760
	1,262,690	895,018

10 Trade and other receivables

	2011 £	2010 £
Refundable deposit	3,324,946	3,324,940
Corporate Tax recoverable	20,867	-
Prepayments	276,587	233,547
	3,622,400	3,558,487

11 Trade and other payables

	2011 £	2010 £
Current		
Trade payables	124,865	208,427
VAT payable	170,137	937,483
Accrued expenses	1,160,423	587,870
Deferred income	3,042,159	-
	4,497,584	1,733,780

Notes (continued)

12 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £	Retained earnings £	Total equity £
Balance at 31 December 2010	1	(530,839)	(530,838)
Profit for the year	-	260,253	260,253
Balance at 31 December 2011	1	(270,586)	(270,585)

13 Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

Market risk – foreign currency risk
The company's exposure to foreign currency risk arises from the intercompany transactions in Qatari Riyals The total exposure at the balance sheet date is reflected as amounts due to parent company

There is no material difference between the carrying value and fair value of any of the Company's financial instruments

14 Related party transactions

The Company has a related party relationship with its parent company, group undertakings and its directors Particulars of transactions, arrangement and agreements involving related parties are as follows

Related party	Amount of transaction £	Balance at 31 December £	Details of transaction
2011			
Qatari Diar Real Estate Investment Company	4,946,851	9,888,665	Provision of market research advisory services
Qatari Diar Development (UK) Company	4,807,871	12,906,887	Provision of office sharing and administrative services to sister company
Project Russet (Holdings Company)	10,200	10,200	Money lent to sister company
Qatari Diar Real Estate Investment Company	10,105,294	(25,197,554) (QAR 87,648,237)	Funding from parent to cover operational costs

Notes (continued)

Related party	Amount of transaction £	Balance at 31 December £	Details of transaction
2010			
Qatari Diar Real Estate Investment Company	4,941,814	4,941,814	Provision of market research advisory services
Qatari Diar Development (UK) Company	5,918,310	7,149,364	Provision of office sharing and administrative services to sister company
Qatari Diar Real Estate Investment Company	6,045,084	(15,854,449) (QAR 90,487,229)	Funding received from parent company to cover operational costs

All amounts are interest free

Amounts paid to directors are disclosed in Note 5

15 Ultimate parent company and parent company of larger group

The company is a wholly owned subsidiary undertaking of Qatari Diar Real Estate Investment Company which is the ultimate parent company incorporated in Qatar

The largest group in which the results of the company are consolidated is Qatari Diar Real Estate Investment Company incorporated in Qatar No other group financial statements include the results of the company The consolidated financial statements of this group are not available to the public