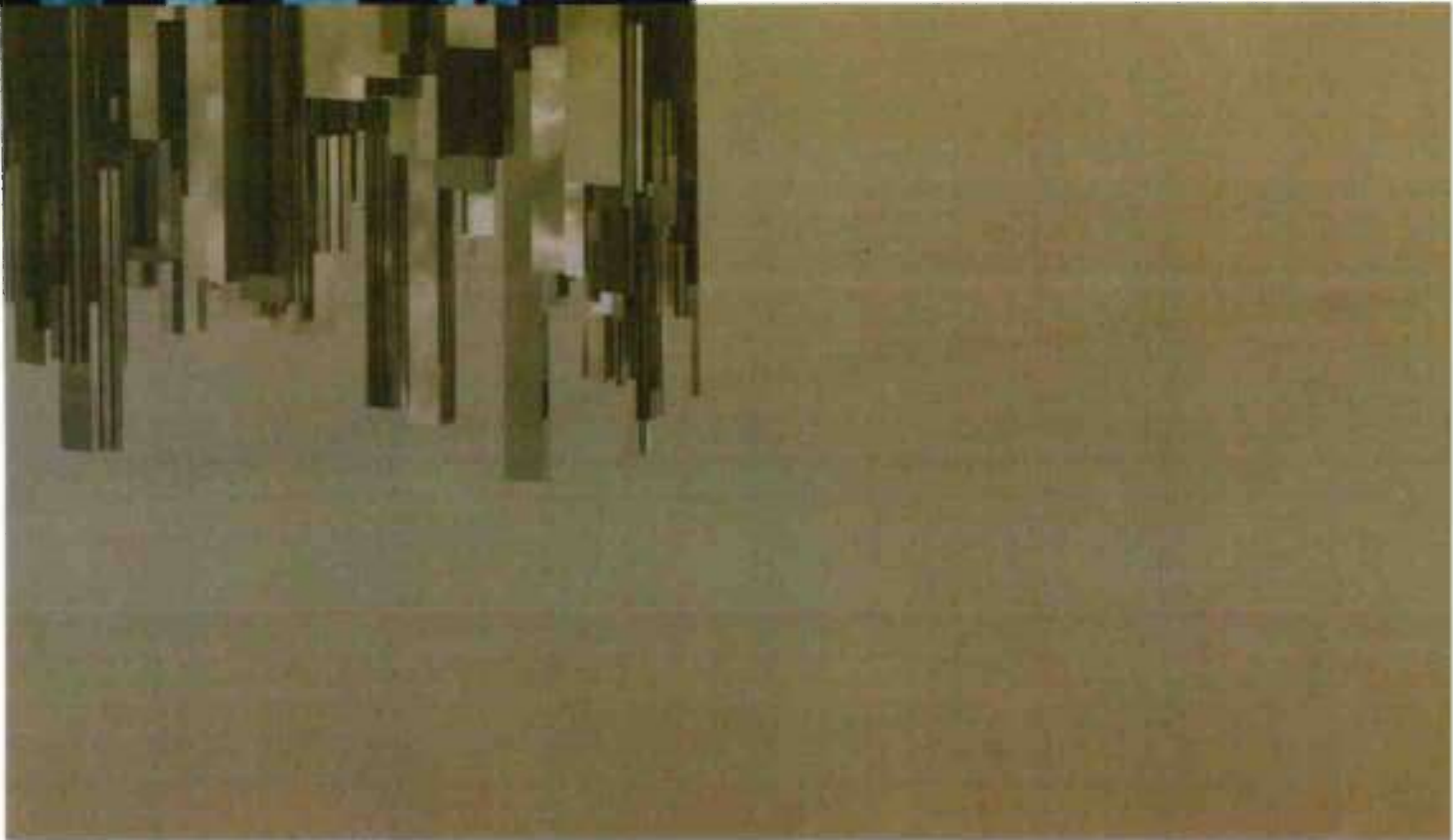




ANNUAL REPORT 2009



Al Rossais Tower, P.O.Box 15493, Building 283, Block 317,
Road 1704, Office #171,172 Diplomatic Area
Kingdom of Bahrain.

Tel: +973 17532201 Fax: +973 17532261 www.isbh.net



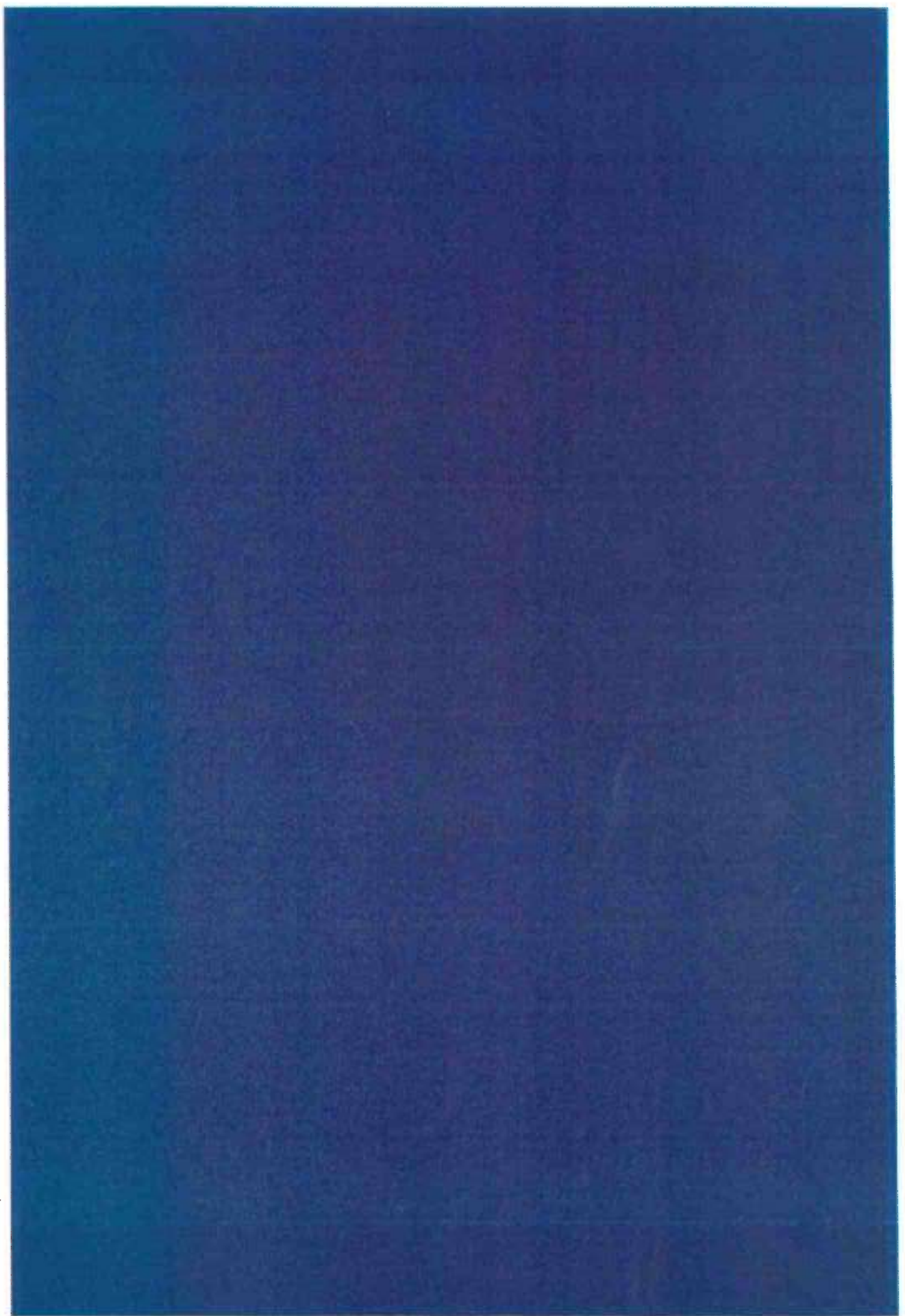
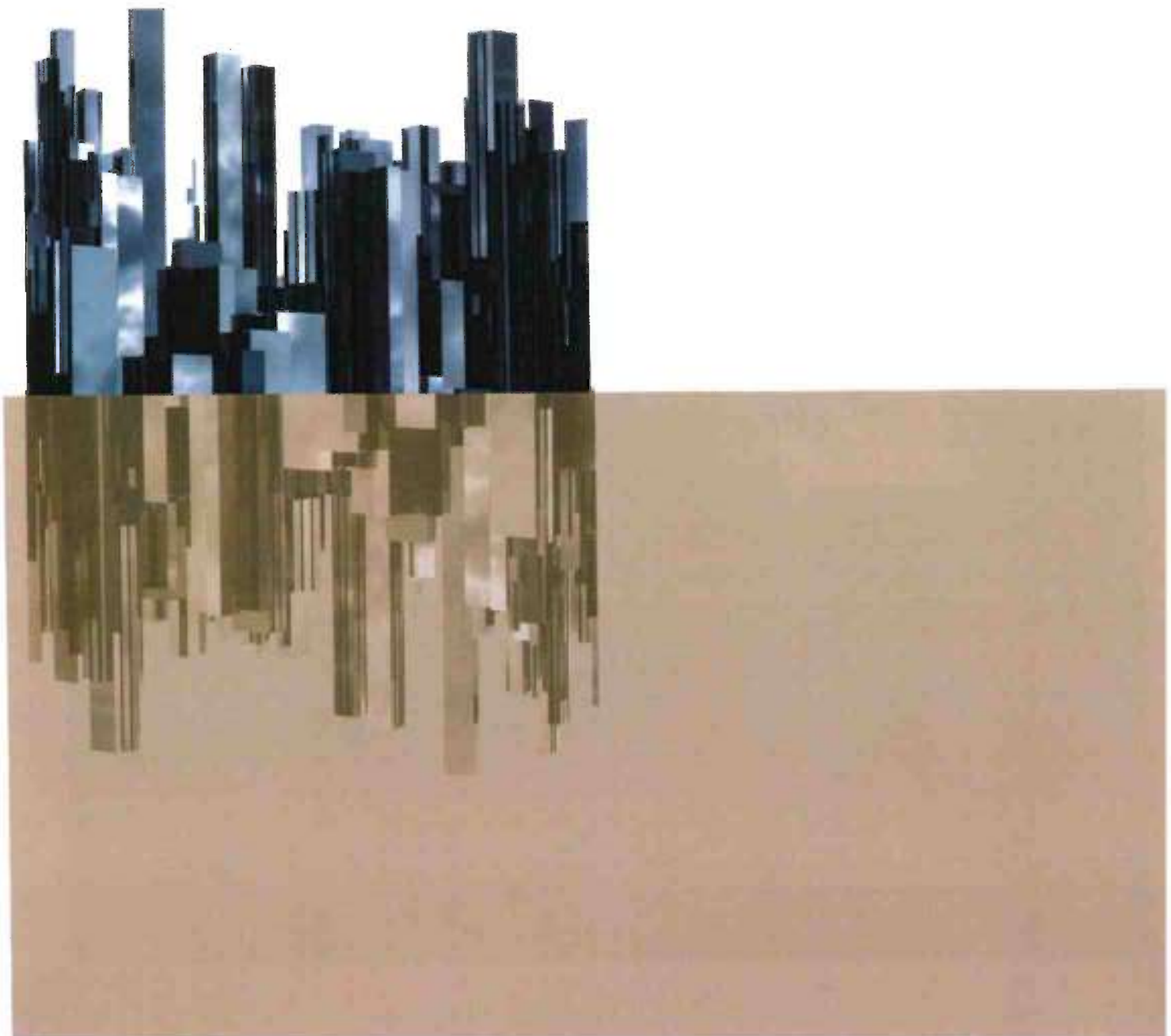


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His Majesty
King Hamad Bin Isa Al Khalifa
King of Bahrain

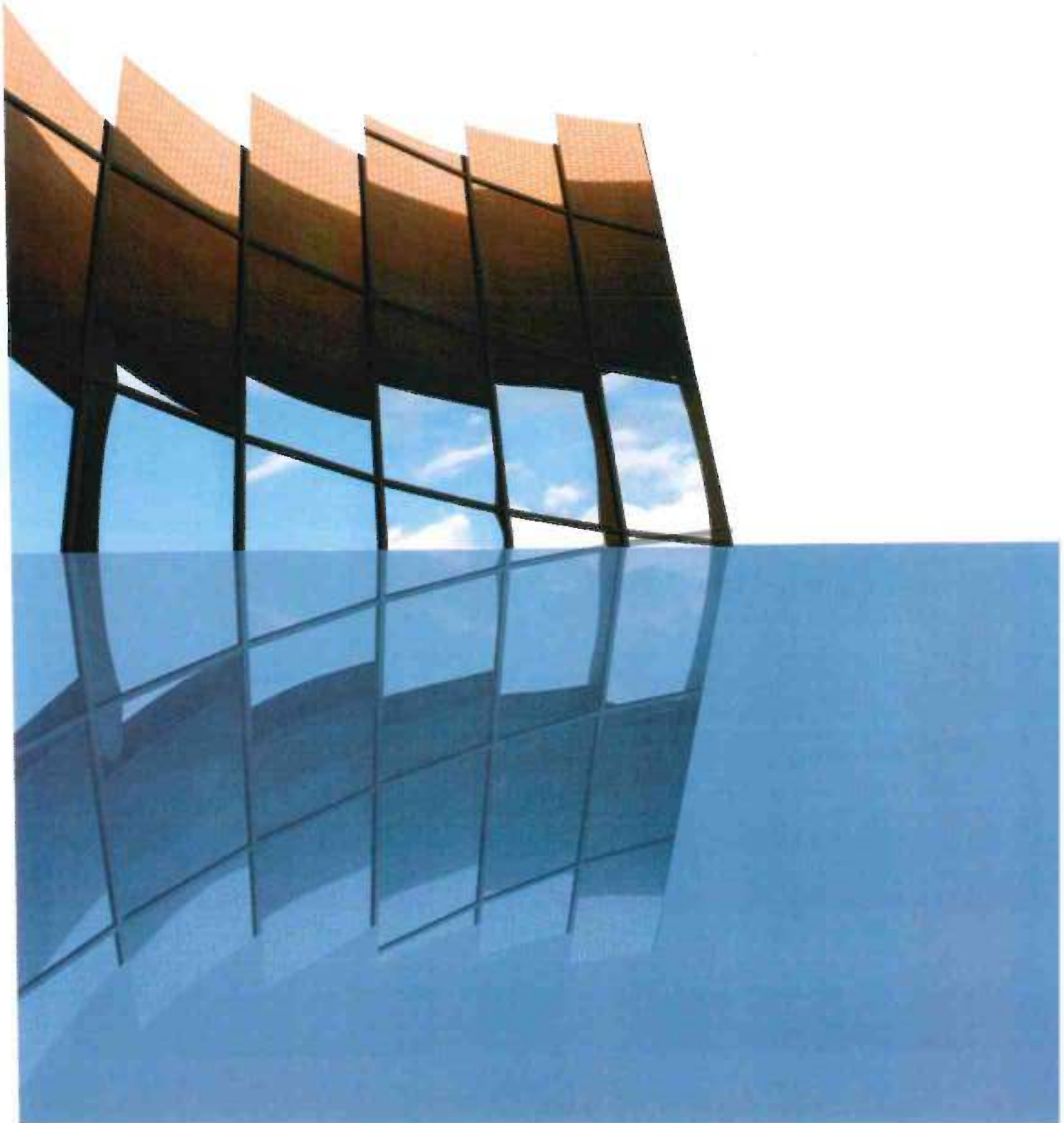


His Highness
Shaikh Khalifa Bin Salman Al Khalifa
The Prime Minister



His Highness
Shaikh Salman Bin Hamad Al Khalifa
The Crown Prince Commander-in-Chief
of the Bahrain Defence Force

BOARD OF DIRECTORS



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Mohammed Ibrahim Al Fozari
Chairman



Abdulghafar Abdulrahim Al-Kooheji
Vice Chairman



Hamad Abdulaziz Al Shaya
Board Member



Mohammad Ahmad Al Qassini
Board Member



Ahmad Saoud Al Sumait
Board Member



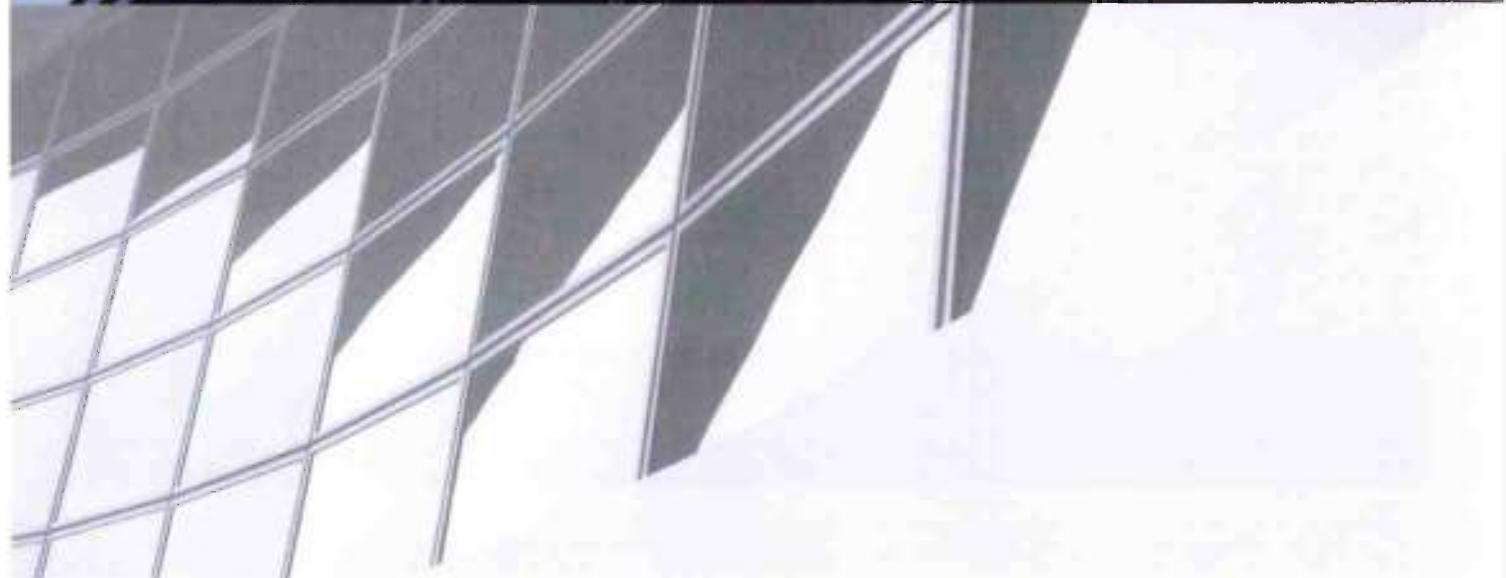
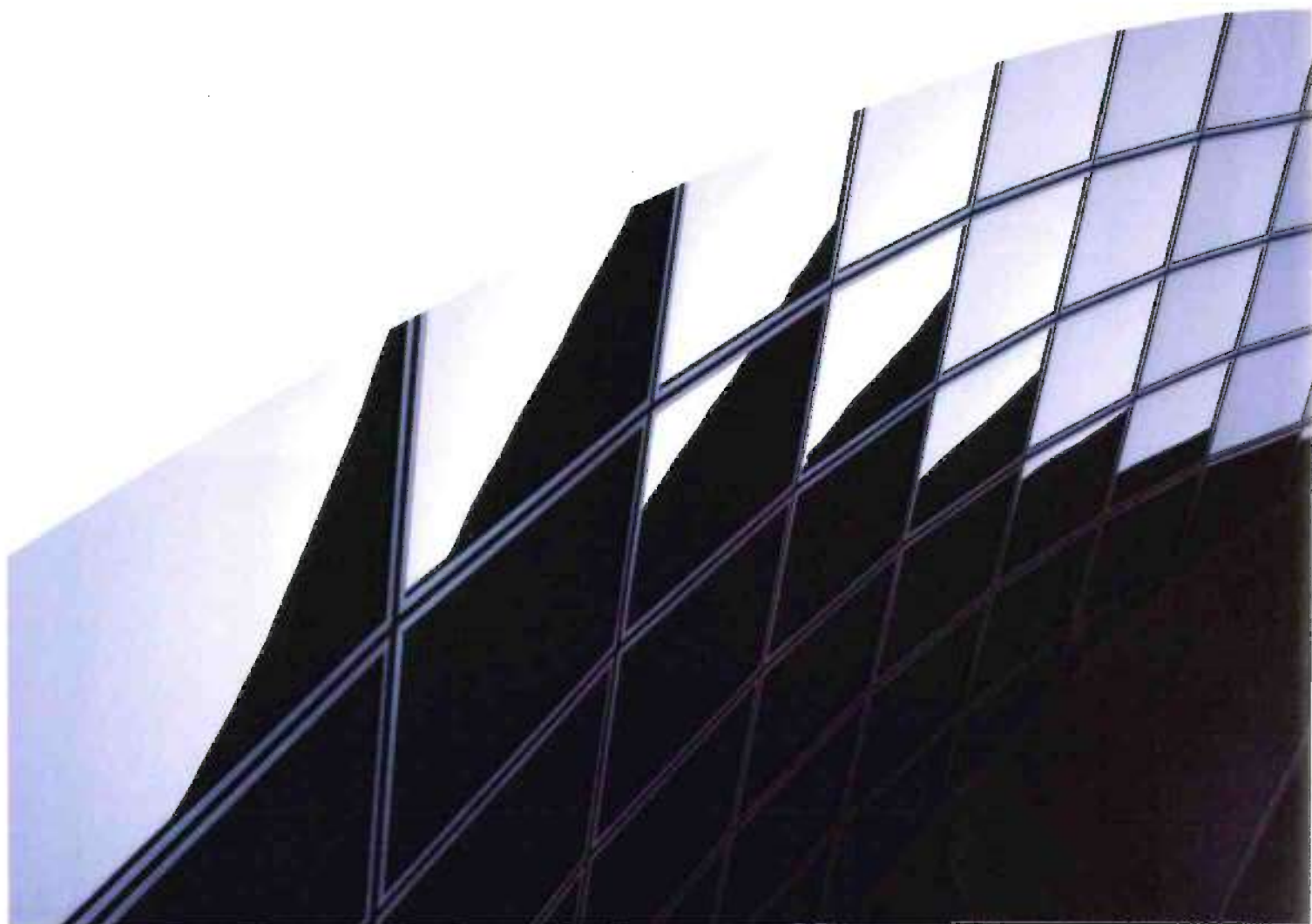
Adel Jassim Al Nijadah
Board Member



Radeel Abdulatif Binnaji
Board Member



CHAIRMAN'S MESSAGE



Dear Shareholders,

In my name and on behalf of my fellow members of the Board, it gives me immense pleasure to present to you First Real Estate Company's annual report for the fiscal year ending on 31st December 2009, including the results of the company's activities during the year.

The international financial crisis continued in 2009 affecting the economies of the world including the region and the Kingdom of Bahrain, although it has been showing signs of gradual recovery. Due to the company's prudent policies adopted during better economic conditions as well as the company's adherence to its objectives, the company was not adversely affected by the financial downturn. Despite the decrease in the growth of its total assets due to reduced cash after distribution of profits for 2008 at 75% of the capital, the company managed to increase its income-generating assets from 13% to 49% during 2009, which will be positively reflected in increased operating revenues in 2010. In this context, the board would like to confirm that it will continue to adopt prudent policies, taking into consideration that the negative effects of the crisis are expected to continue into 2010, influencing the real estate within the region.

At the financial level, the company's assets totaled BD 65m as at the end of 2009 compared to BD 90.5m as at the end of 2008, down by 28.2%. Shareholders' equity amounted to BD 45.5m as at the end of 2009 compared to BD 70.4m as at the end of 2008, down by 35.3%. Revenues amounted to BD 1.5m in 2009 against BD 27.8m in 2008, down by 94.6% while expenses amounted to BD 1.3m compared to BD 2m, down by 31.6%. This resulted in a net profit of BD 172 thousand in 2009 against BD 25.8m in 2008, down by 99.3%.

In 2009, the company completed the construction of a residential complex at Al Juffair area near Al Fateh Bridge, which consists of 100 residential apartments covering a total built-up area of 22,510 sq. meters. Also, it completed a build-to-suit warehouses project at the Bahrain Investment Wharf based on a 15-year lease agreement, on a plot of land covering an area of 45,247 sq. meters with a total built-up area of 31,000 sq. meters. The project was completed and delivered to the tenant in August 2009. These two projects are a substantial addition to the company's income-generating assets.

In addition, in association with Dhow Real Estate Co. W.L.L., the company established Al-Yal Real Estate Co. in the Kingdom of Bahrain to acquire three lands at Al Sect area with the intention of developing a hotel apartment tower. The tower is currently in the design phase by the assigned engineering office.

As for future plans, the company will continue to define suitable opportunities to enhance its sources of income and assets value besides establishing alliances that would strengthen its track record in the Kingdom and confirm its prominence in the sector as a whole.

Finally, on behalf of the members of the Board and the company's staff, I would like to extend our sincere gratitude and appreciation to our shareholders for their valuable confidence and continued support.

Also, I would like to thank our management and all the staff for their dedicated efforts towards greater achievements.

Kindest regards,



Mohammad Ibrahim Al-Farhan
Chairman of the Board



INTRODUCTION, STRATEGY,
VISION & MISSION STATEMENT

Introduction

First Real Estate Company was founded and restructured to achieve sustainable growth strategies and a prominent reputation within the local real estate market while offering rewarding opportunities for its investors, management and staff. The Company's professional and experienced management team has worked ardently throughout 2009 at procuring a broader field of investments by expanding its focus beyond the residential market to the commercial and warehouse market.

The Company's achievements this year include the completion of a build-to-suit warehouse project for Potential Investor at the Bahrain Investment Wharf (BIW), the completion of the residential tower at Al Fateh area location in Al Juffair known as «100 Residence Tower», and upgrading the company's existing income generating assets through renovation.

First Real Estate Company continues striving to enhance its asset value and meet shareholder expectations through the implementation of planned growth and qualitative diversification initiatives on both the local and regional levels.

Strategy

First Real Estate strategy is based on the following business model:

- Uncover hidden opportunities in the real estate sector.
- Acquire new properties with appreciation potential.
- Land trading and development.
- Increase and enhance profitability of the existing properties.
- Having well defined exit strategies for each property.

Vision

Through the life cycle of assembling, grooming and monitoring a solid portfolio of real estate assets, the company seeks to create value at low levels of risk for its shareholders, create opportunities for its customers and experience for its managers and staff.

Mission Statement

To optimize returns by providing high-quality, stable and secure real estate investment opportunities at low levels of risk and maximize the value of real estate investments and projects that will be undertaken for the benefit of the shareholders, customers and employees, by combining the appropriate mix of people along with creative planning and strategy implementation.



COMPANY'S PROJECTS



Through its strategy, First Real Estate Co. B.S.C. (Closed) aims to realize consistent growth and remarkable reputation in the local real estate market, and to provide investors with attractive investment opportunities and maximizing the value of their investments. The Company's strategy lies in its pursuit of lucrative investment opportunities, in the acquisition of properties, land trading and development as well as targeting the desired profits. In implementing this strategy, the company focuses on a minimum risk profile so as to provide maximum protection for the investors and shareholders' interests. This culminates in building, developing and monitoring a strong portfolio of real estate assets, while laying down clear exit strategies for each individual property.

The company also strives to enhance and maximize the value of its assets, in order to meet its shareholder's expectations through implementing initiatives of consistent growth and diversification at both the local and the regional levels.

First Real Estate Co. B.S.C. (Closed) owns real estate that can be classified in two main categories: (I) income-generating real estate, and (II) trading and development real estate. The following is a brief account of each category.

I. Income Generating Properties

Kingdom of Bahrain

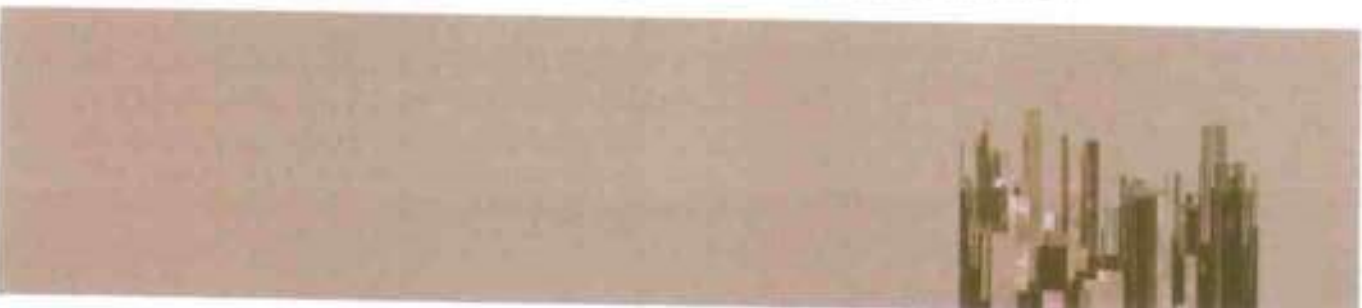
Juffair Compound (1)

The Company acquired this residential compound in June 2004. It is located in Al Juffair area; one of Manama's prime locations. This luxurious fully furnished compound comprises of 32 villas over 300 square meters, each with a private swimming pool. The compound is fully leased.



Juffair Compound (2)

In July 2005, the company completely built and furnished this luxurious residential compound adjacent to Juffair Compound (1). The compound comprises of 22 fully furnished villas with a total area of approximately 300 square meters. Each villa features an independent external maid's quarter and a private swimming pool. The compound is fully leased.



The 100 Residence Tower, Al Fateh Area



The 100 Residence Tower was completed at the fourth quarter of 2009. It is located in Al Fateh area in Juffair, covering a total built-up area of 22,510 square meters. The project consists of 27 floors containing 100 luxurious fully furnished apartments. The facilities and services provided include an indoor and an outdoor swimming pool, gymnasium, housekeeping, and 24 hours security.

Warehouse at the Bahrain Investment Wharf, Al Hidd Area

In 2007, the company acquired a strategically situated land for investment purposes known as G28, covering a total area of approximately 45,247 square meters at the Bahrain Investment Wharf. The Company signed a 15 year build-to-suit warehouse contract agreement with Potential Investor for developing the land into a warehouse with a total built-up area of 31,000 square meters. The warehouse was completed and handed over to the Potential Investor in August 2009, and is considered to be one of the Company's most important income producing projects.

United Arab of Emirates

Labour Accommodation at Muhaisanah Area, Dubai

In October 2007, and in alliance with Injazzat Real Estate Development Company, the Company acquired a labour accommodation building in Muhaisanah area with a total area of 5,287 square meters. The building comprises of two floors containing a total of 401 rooms which have been refurbished and partially leased.

II. Land Trading and Development

Kingdom of Bahrain

Al Seef Land, Al Seef District



In September 2005, the Company acquired 50% ownership with Dhow Real Estate Company in a strategically located land in Al Seef District North of Bahrain City Centre. In 2008, the land was subdivided into 21 plots covering an area of 510,881 square feet. The Company decided to take advantage of the land appreciation prices in Al Seef area by selling 13 of its plots, covering a total area of 336,203 square feet, generating a substantial income to the Company. The Company aims to hold 5 of the plots and sell them within the next year. The remaining three plots, containing a total land area of 70,290 square feet, have been merged into one plot and will be utilized for the development of a residential accommodation.



(G26) Bahrain Investment Wharf, Al Hidd Area

Tameer Company entered into a long-term land lease agreement with the Government of Bahrain to develop the Bahrain Investment Wharf (BIW) which is located at Hidd Industrial area. The project covers a total area of about 1.7 million square meters, and entails developing an industrial zone providing transport, cargo and storage services, a commercial complex and a residential complex. In 2007, the company acquired a strategically located land in the Bahrain Investment Wharf overlooking the sea for investment purposes known as G26, covering a total area of approximately 58,222 square meters.

Hidd Industrial Land, Hidd Area

In September 2007, the company acquired a plot of land in Al Hidd Industrial area covering a total area of 73,000 square feet. The Company intends to develop this plot into residential units for medium income buyers.

Madaen Al Luzi Project, Hamad Town

In January 2007, the Company acquired equity shares in Madaen Al Luzi Project. The original plan for the project is to develop 105 villas and 708 apartment units spreading over an area of 700,000 square feet at a total cost of US\$ 75 million. However, the Madaen Al Luzi changed its strategy to parcelizing the plots and selling them to potential investors.

Marsa Al Seef, Al Seef Area

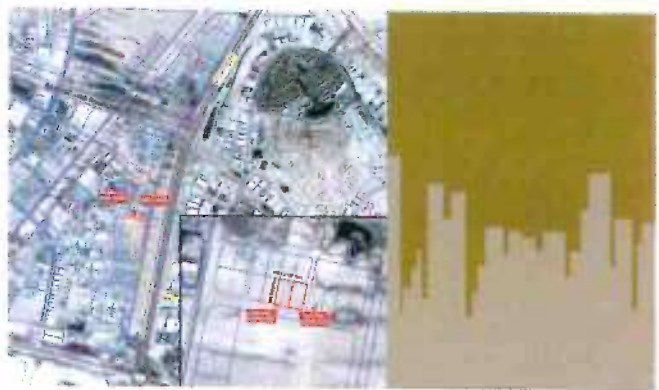


Marsa Al Seef Project is located in the Northern area of Al Seef area. It includes developing self contained waterfront city extensive residential towers, town houses, commercial retail facilities, office towers and leisure and entertainment facilities over a total area of 25,833,600 square feet. The project targets the upper income consumers that seek higher standards.

In September 2008, the Company acquired equity shares in Marsa Al Seef Investment Company Limited. The project company will perform reclamation works and provide infrastructure services and will later on sell lands for potential developers to further develop the area according to their set Master Plan. The Company intends to invest in this project to benefit from the anticipated land appreciation.

United Arab Emirates

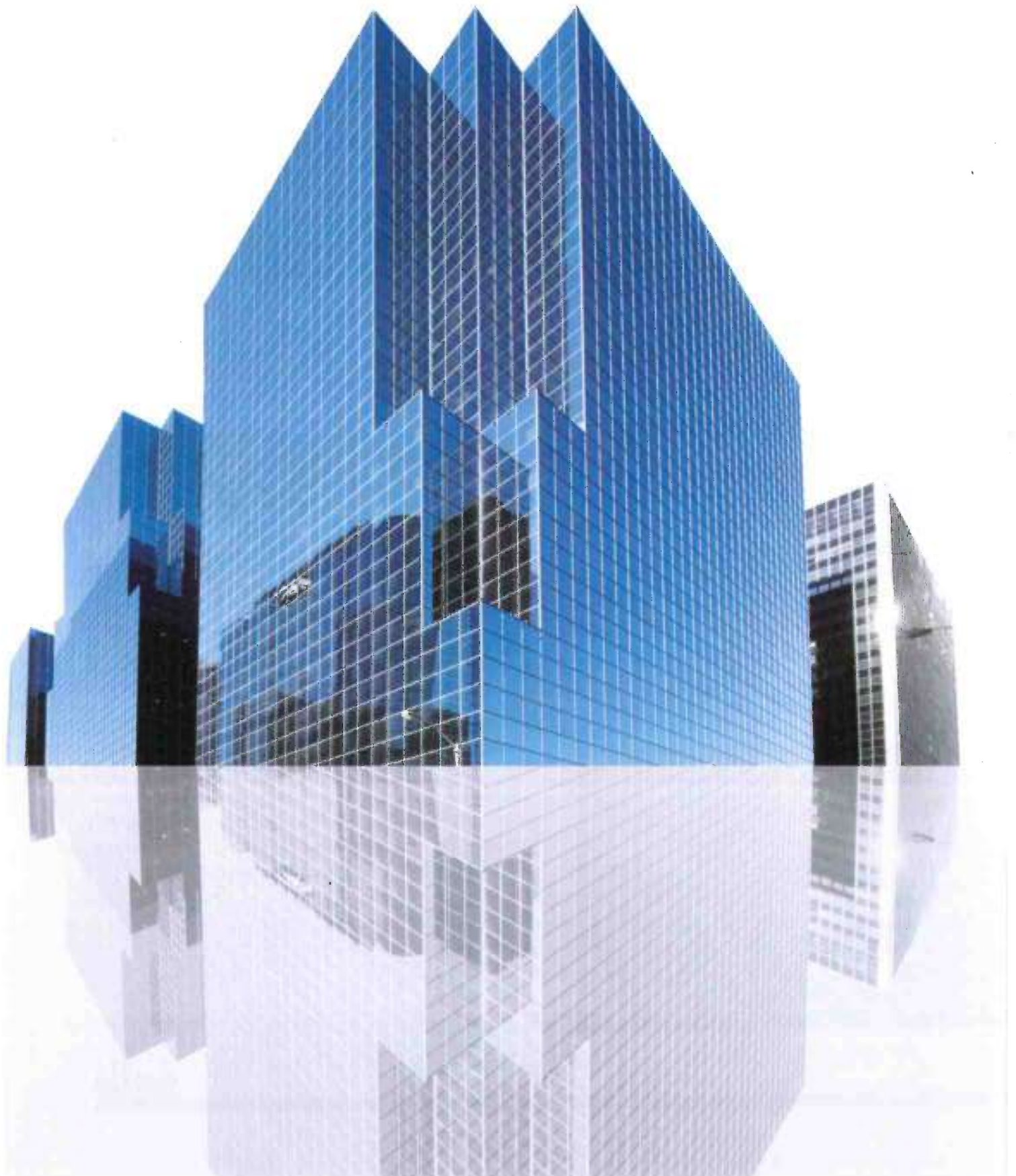
Land in Jebal Ali, Dubai



As part of the Company's Strategy to expand in its income generating projects, in August 2008, through the Company's 25% share in Al Sanbouk Real Estate L.L.C., the company acquired 2 plots of land with a total area of 41,980 square feet in Jebal Ali, Dubai. The plots are to be developed into a labour accommodation complex containing 576 rooms.



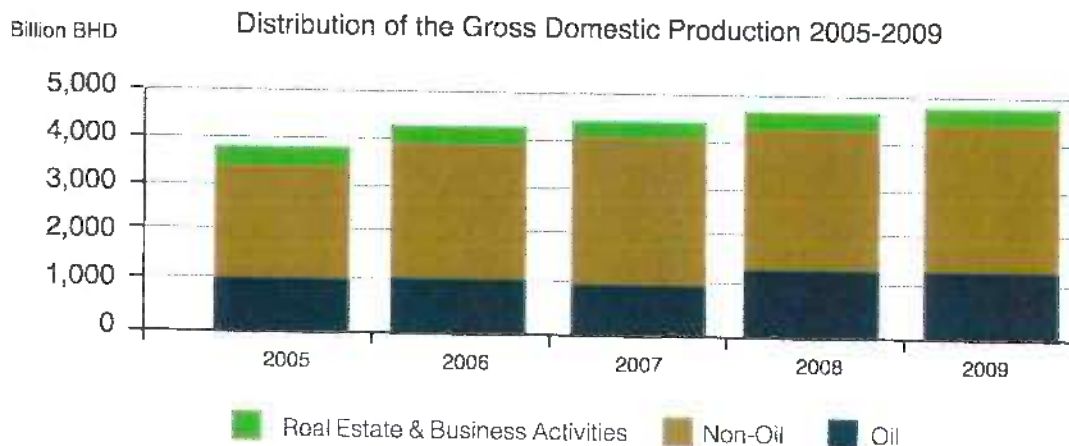
BAHRAIN REAL ESTATE & ECONOMIC MARKET OVERVIEW



First: Performance of Domestic Economy

In 2009, unlike the negative performance of a majority of the world's economies and most of the GCC countries, the Kingdom of Bahrain maintained a positive real GDP growth with a real growth rate of 2.9%, down by 50% from 6.3% in 2008.

The factors that contributed to maintaining this level of growth are the expansionary fiscal and monetary policies, coupled with continued expansionary population policy, setting a firm stage for real growth rate. The bulletin issued by Economist Intelligence Unit (EIU), has forecasted real growth rates for the year 2010 at 4% with an average of 4.8%, besides continued positive forecasts for the long term with an estimated positive growth rate of 4.8% during the period between 2010 and 2014.



In light of the Kingdom's efforts to control the public financial deficit and despite the continued decrease in oil output, the EIU's forecasts indicate that the public budget may realize a minimal deficit of about BD 48 million for the fiscal year 2009, which is very close to the balanced rate. As such the deficit is expected to fade away once a slight improvement occurs in the oil sector. The forecasted deficit for 2010 is similar to that of 2009. However, the potential deficit as stated publicly is BD 729 Million, which is estimated based on an oil barrel price of US\$ 40 while in actual fact the oil prices for 2010 are expected to swing between US\$ 70 and US\$ 80 per barrel resulting in diminishing the deficit.

Despite the adoption of the expansionary fiscal and monetary policies, inflation remained under control. In 2009, inflation is expected to stand at about 3% and increase to about 3.5% in 2010. Risks of inflation are expected to continue if the US Dollar remains weak as the Bahraini Dinar is fully tied to the US Dollar exchange rate. Besides, the imports from other major markets are also expected to cause an increase in local currency prices.

As 78% of Bahrain's commodity exports rely on oil and oil products, the status of its external balances depends on the decreasing oil production levels along with the market conditions. As expected, the current account surplus decreased in 2009 to US\$ 1.45 billion from US\$ 2.27 billion in 2008. However, with improvements in the oil market, it is expected to slightly increase and maintain a comfortable surplus rate.

With the structural change in the oil market where the demand side has been dominating, a huge economic expansion occurred throughout the region along with a positively parallel population growth. Bahrain's total annual population growth rate was 8.1% during the period 2004-2008. Half of this rate comprised the national population, raising the expatriates' ratio to about 50% of the population for the first time. With the potential decrease in both the economic expansion and direct foreign cash flows due to the global financial crisis, it is unlikely that the expatriates' growth rate will continue and this in turn would minimize the correction period to the lowest point in 2009.

In conclusion, we can say that the small size of the Bahraini economy, in which financial and commercial services sectors prevail, will support its continued positive growth. However, the decline in population growth rates and the change that is expected to occur in the approach governing the international economy trends as a consequence of the crisis, will lead to inflation and less speculations. Asset prices, especially real estate values, are expected to go down despite the Kingdom's small size. As a result, the potential economic outlook is expected to be one that gives preference to investments targeting end users rather than speculators who aim to benefit from inflated prices. This will in turn keep the market open for more serious real estate companies and investors while restricting superficial players.

Second: Performance Indicators of the Domestic Real Estate Market

According to the Central Bank of Bahrain's data, the real estate and service sector's contribution to the gross domestic product (GDP) decreased gradually during the period 2002-2008 from about 9.7% to 6.8%. Meanwhile, the sector has achieved a compound growth rate of about 56.3% against 40.1% for the non-oil sector and about 33.6% for the oil sector during the same period.

As of the end of 2009, the construction loans counted for about BD 1.6 billion which is 28% of the total loans amounting to about BD 5.7 billion. The figure has increased by approximately 6.7% compared to its figure at the end of 2008 when it counted for about BD 1.5bn or about 26.2% of the total loans in the same year. This indicates that the size of demand on construction funding did not decrease abruptly though it has witnessed a sharp decrease in its growth rate in view of the international financial crisis which has already impacted most GCC countries. The size of construction loans grew as at the end of 2008 by about 98.3% amounting to about BD 1540 million compared to BD 776.6 million at the end of 2007.



Distribution of Loans and Facilities by Economic Sector except banks (in billion BD)

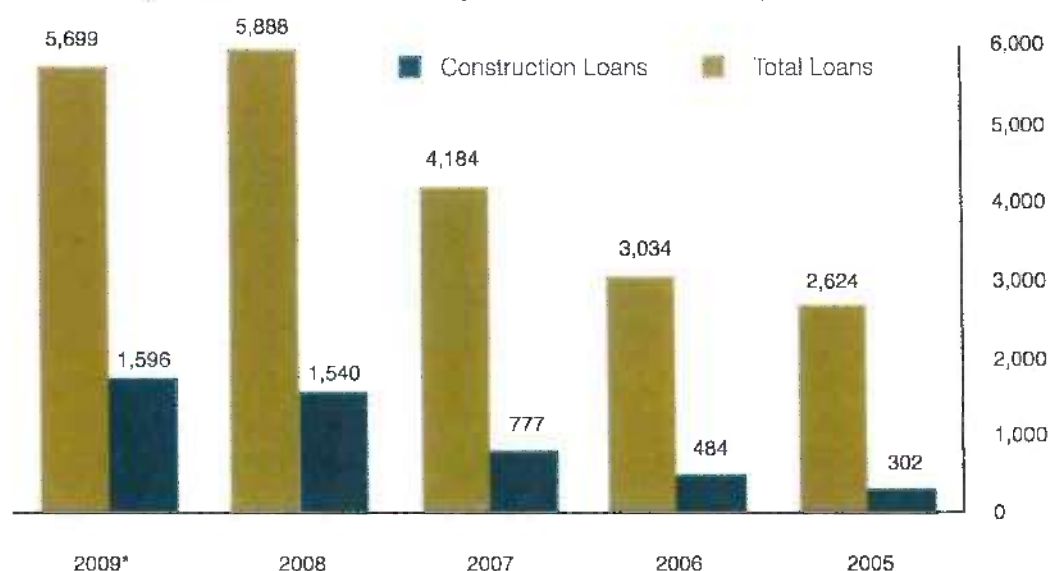


Table 1- Source of the table is from Central Bank of Bahrain

The construction licenses from the beginning of 2009 to September recorded about 7.6 thousand licenses or about 10.1 thousand licenses on annualized basis. This represents a potential decrease of about 9.5% compared to 2008 when it recorded a number of 11.2 thousand I

Construction licenses	% of total	2009 *	% of total	2008	% of total	2007	% of total	2006	% of total	2005
Additions	52.2%	5,299	46.0%	5,156	47.0%	4,851	48.3%	5,459	54.1%	6,214
Demolitions	7.3%	743	9.0%	1,004	7.0%	723	6.1%	693	5.9%	677
Demolitions and building	0.6%	57	1.0%	117	4.0%	412	3.4%	387	1.7%	194
New building	28.9%	2,932	32.8%	3,675	33.6%	3,469	35.3%	3,990	31.0%	3,553
Backfilling	0.2%	17	0.3%	34	0.3%	26	0.3%	39	0.3%	29
Restoration	10.8%	1,095	10.9%	1,217	8.1%	835	6.5%	735	7.1%	812
Total licenses	100%	10,143	100%	11,203	100%	10,316	100%	11,303	100%	11,479

Table 2- Data calculated on annualized basis in September 2009

As shown, the number of new licenses totaled to approximately 2.2 thousand licenses or about 2.9 thousand licenses on annualized basis, which has decreased by about 20.2% from 2008. This indicates a decrease in the demand on new building licenses due to the international financial crisis.

Although the indicators vary, suggesting a confusing reading between negative and positive trend of the Bahraini real estate market, the veracity is that the market suffered pressures that have negatively impacted the rates of occupancy, liquidity, price levels and rents though it was not such a sharp impact or was only within tolerant limits under the turmoil circumstances. Decrease in the indicators is likely to continue over the year 2010; however, it is expected to show a better performance towards the end of the year. The market will likely start a stage of balance from the second half of the year if the international and regional economic indicators continue to improve.

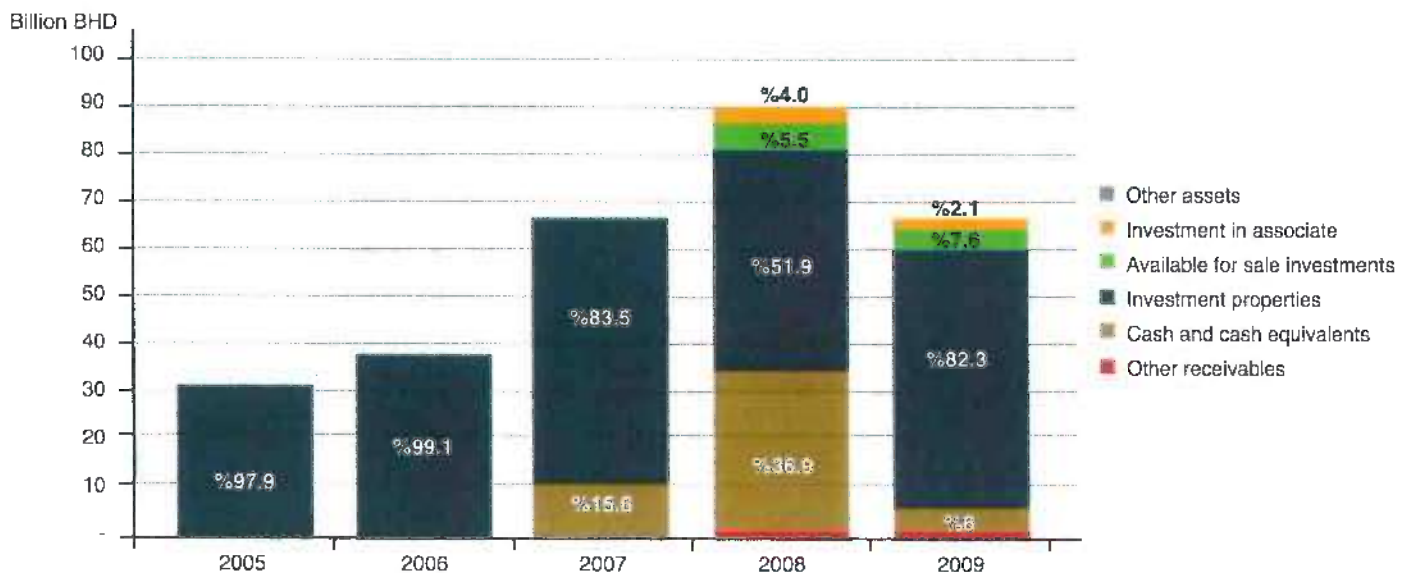
Financial Performance

First: The Financial Position

First Real Estate Co.'s assets dropped in 2009 after a sustained growth that continued for seven consecutive years from inception. This downfall, however, did not affect the company's operating assets and the management continued to apply a flexible strategy in purchasing, acquiring and developing real estates. The cash distributions (75 fils per share or equivalent of BD 75m) in 2009 for 2008 profits were the main reason for this drop in the company's assets.

The company's assets dropped in 2009 by 28.2% or BD 25.6m to BD 65m. The investment properties item counted for the largest part of assets marking BD 53.5m or 82.3% of the company's total assets, up by BD 6.5m compared to 2008. The company maintained its available for sale investments at BD 4.9m or 7.6% of total assets. Investments in associates amounted to BD 1.4m or 2.1% of total assets compared to BD 3.6m in 2008. Cash and cash equivalents amounted to BD 3.9m or 6% compared to BD 33.1m as at the end of 2008. The reason for decreased cash was due to distribution of realized profits after realization of some real estate assets in 2008.

Development of First Real Estate Co.'s assets during 2005-2009



Total liabilities dropped by BD 679 thousand or 3.4% to BD 19.5m, which is close to its level of 2008 when it marked some BD 20.2m. There was no change in the long term debt which amounted to BD 18m at the end of 2009 and 2008. Total shareholders' equity dropped by 35.3% or BD 24.9m to BD 45.5m representing about 70% of total assets.



Second: The Financial Performance

The international financial crisis which continued over 2009 impacted all the economic sectors at the local as well as the regional levels. The real estate sector was no exception in light of scarcity of liquidity and suspension of some projects in the wake of the real estate credit crisis and as a result of some developers' inability to finance their projects.

As at the end of 2009, the company realized revenues of BD 1.5m compared to BD 27.8m in 2008, which resulted from realization of investment properties in that year yielding some BD 18m in profits. Revenues from rentals amounted to BD 985 thousand, counting for 65.4% of total revenues, down by 30.7% compared to BD 1.4m in 2008. The company did not realize any profits from sale of investments properties in 2009, while profits resulting from change in fair value of investments counted for 39.5% of total revenues in 2009, amounting to BD 596 thousand compared to 27.3% in 2008 achieving some BD 7.6m.

Expenses in 2009 amounted to BD 1.3m, down by 31.6% of 2008 when they amounted to BD 1.9m. All expenses items (except depreciation) dropped from 2008 levels. Interests expenses counted for 44.3% of total expenses in 2009, amounting to BD 592 thousand compared to BD 876 thousand or 44.9% of total expenses in 2008. The rest of expenses, comprising staff cost, administrative expenses and consultancy and professional fees and property expenses, decreased considerably to BD 384 thousand compared to BD 944 thousand in 2008 down by 59.3%. This year and for the first time since inception, the company incurred losses from bad debts and other write-offs of BD 338 thousand.

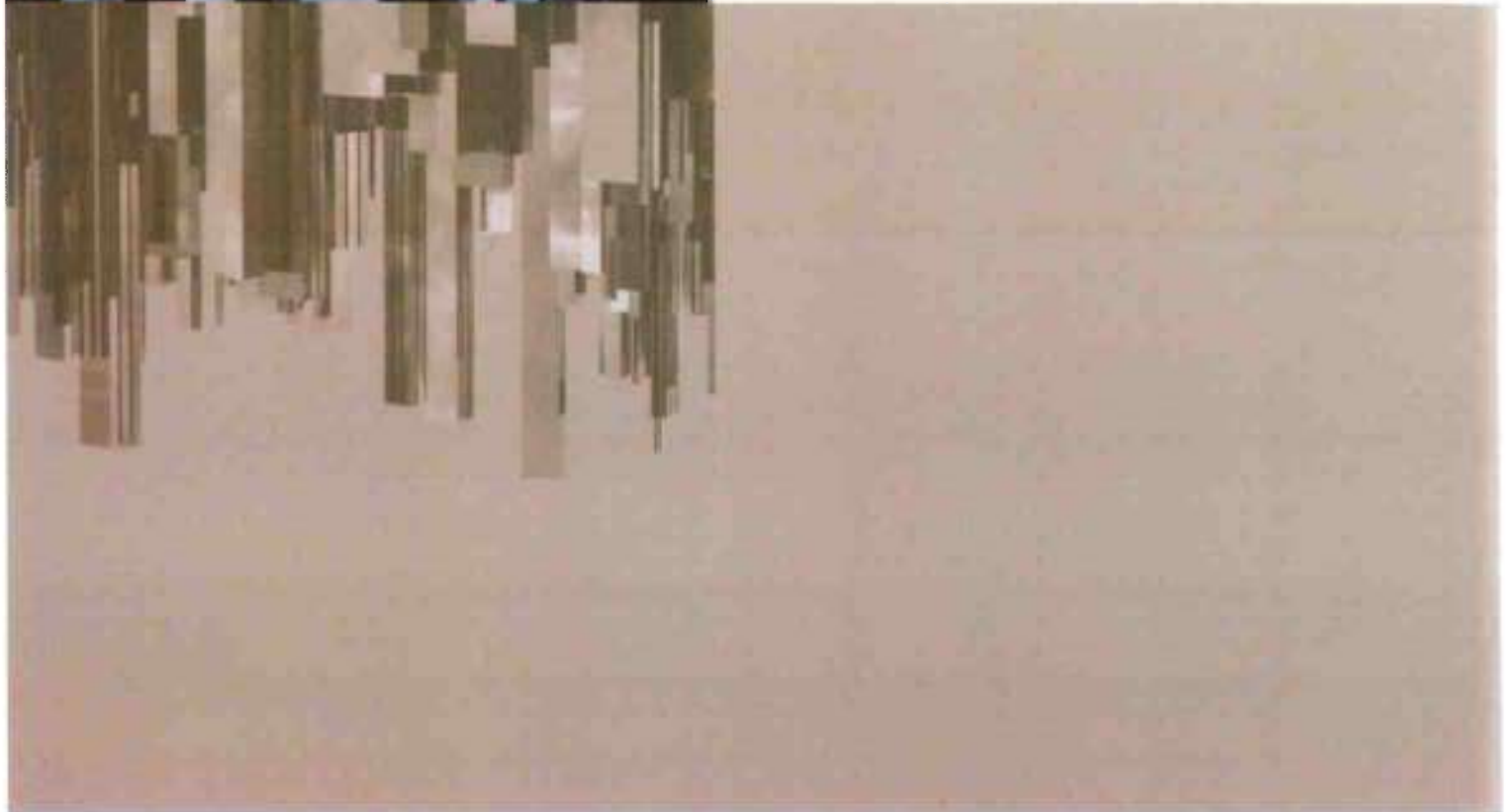
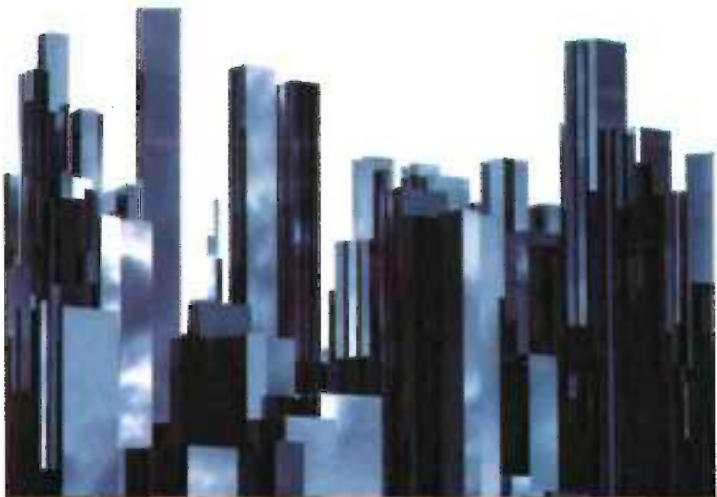
Accordingly, net profits amounted to BD 171.5 thousand, down by 99% of 2008 levels. The earning per share realized 0.5 Bahraini fils compared to 77.4 Bahraini fils in 2008. Profitability indicators, including return on assets and return on equity, went down in 2009 recording 0.3% and 0.4% respectively.

The following table summarizes some financial indicators for the period (2005 to 2009)

Earning Per share - Fils	2005	2006	2007	2008	2009
Book Value - Fils	10.2	26.4	28.8	77.4	0.5
ROA	101.9	128.1	149.7	210.8	136.3
ROE	9.6%	20.5%	13.7%	28.5%	0.3%
ROC	10%	20.6%	19.3%	36.7%	0.4%
Return on capital	10.2%	26.4%	28.8%	77.4%	0.5%



FINANCIAL STATEMENTS



First Real Estate Company B.S.C. (Closed)
Report Of The Board Of Directors And
Consolidated Financial Statements
31 December 2009



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST REAL ESTATE COMPANY B.S.C.(CLOSED)

We have audited the accompanying consolidated financial statements of First Real Estate B.S.C.(closed) ('the Company') and its subsidiary ('the group') which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The Directors 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 controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from materials misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidate financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2009 and its financial performance and its cash flows for the year the ended in accordance with International Financial Reporting Standards.

Other Regulatory Matters

We also confirm that, in our opinion, proper accounting records have been kept by the company and the consolidated financial statements are in agreement therewith. We further report, to the best of our knowledge and belief that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the company have occurred during the year ended 31 December 2009 that might have had a material adverse effect on the business of the company or not its financial position. We obtained all the information and explanations which we required for the purpose of our audit.

Ernst + Young

22 February 2009

Manama, Kingdom of Bahrain



The Board of Directors have pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2009.

Principal activities and review of business developments

The Group is engaged in the acquisition, development, renting out and disposal of high quality, stable and secure real estate investment opportunities in the Kingdom of Bahrain and GCC.

The Group made a profit of BD 171,518 during the year ended 31 December 2009 (2008: BD 25,837,081).

Movement in retained earnings:

	2009	2008
	BD	BD
Balance as of 1 January	4,957,096	8,038,077
Profit for the year	171,518	25,837,081
Dividends proposed / paid	-	(25,042,500)
Transfer to statutory reserve	(17,093)	(2,583,708)
Transfer to general reserve	(8,547)	(1,291,854)
Non-controlling interest	(585)	-
	<u>5,102,389</u>	<u>4,957,096</u>
Balance as of 31 December	5,102,389	4,957,096

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Group for the year ending 31 December 2010, will be submitted to the Annual General Meeting.

Signed on behalf of the Board

Chairman
22 February 2010



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Year Ended 31 December 2009

	Notes	2009 BD	2008 BD
ASSETS			
Non-current assets			
Equipment	5	41,483	42,598
Investment properties	6	53,484,084	47,014,841
Investments in associates	7	1,386,899	3,592,750
Available for sale investments	8	4,939,942	4,939,942
		<u>59,852,408</u>	<u>55,590,131</u>
Current assets			
Trade and other receivables	9	1,267,887	1,868,662
Cash and cash equivalents	10	3,890,224	33,106,075
		<u>5,158,111</u>	<u>34,974,737</u>
TOTAL ASSETS		<u>65,010,519</u>	<u>90,564,868</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	33,390,000	33,390,000
Share premium	12	27,241	27,241
Statutory reserve	13	4,713,011	4,695,918
General reserve		2,155,826	2,147,279
Foreign currency translation reserve	14	(4,453)	-
Retained earnings		5,102,389	4,957,096
Proposed appropriations	15	-	25,042,500
		<u>45,384,014</u>	<u>70,260,034</u>
Non-controlling interests		<u>125,585</u>	<u>125,000</u>
Total equity		<u>45,509,599</u>	<u>70,385,034</u>
Non-current liabilities			
Wakala finance	16	17,999,221	17,999,221
Advance from tenants		568,000	548,000
		<u>18,567,221</u>	<u>18,547,221</u>
Current liabilities			
Trade and other payables	17	744,932	1,517,163
Advances from tenants		188,767	115,450
		<u>933,699</u>	<u>1,632,613</u>
Total liabilities		<u>19,500,920</u>	<u>20,179,834</u>
TOTAL EQUITY AND LIABILITIES		<u>65,010,519</u>	<u>90,564,868</u>

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of directors on 22 February 2010.



Mohammad Al Farhan
Chairman



Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The attached notes 22 to 40 form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2009

	Notes	2009 BD	2008 BD
INCOME			
Rental revenue		984,785	1,420,330
Profit on disposal of investment properties		-	18,038,333
Changes in fair values of investment properties	6	595,682	7,574,429
Wakala income		214,279	718,892
Murabaha income		53,037	35,872
Other income		65,905	-
Share of loss of associates		(407,321)	-
		<u>1,506,367</u>	<u>27,787,856</u>
EXPENSES AND OTHER CHARGES			
Administrative expenses		64,739	498,624
Property expenses		260,244	276,235
Staff cost		59,362	168,870
Board of directors remuneration		-	111,908
Consultancy and professional fees		9,848	11,122
Depreciation	5	11,182	8,282
Finance costs		591,636	875,734
Bad debt expense		228,642	-
Advances and other receivables written off		109,196	-
		<u>1,334,849</u>	<u>1,950,775</u>
PROFIT FOR THE YEAR		<u>171,518</u>	<u>25,837,081</u>
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		(4,453)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>167,065</u>	<u>25,837,081</u>
Profit attributable to:			
Equity holders of the parent		170,933	25,837,081
Non-controlling interests		585	-
		<u>171,518</u>	<u>25,837,081</u>

The attached notes 22 to 40 form part of these financial statements



CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2009

	Notes	2009 BD	2008 BD
OPERATING ACTIVITIES			
Comprehensive income for the year		171,518	25,837,081
Adjustment for :			
Profit on disposal of investment property		-	(18,038,333)
Changes in fair values of investment properties		(595,682)	(7,574,429)
Interest expense		(591,636)	875,734
Share of loss of associates		407,321	-
Investment income		(267,316)	(754,764)
Bad debt expense		228,642	-
Advances and other receivables written off		(109,196)	-
Depreciation	5	11,182	8,282
Adjustments to investment properties		-	1,097
Operating (loss) profit before working capital changes		(745,167)	354,668
Working capital changes:			
Trade and other receivables		483,756	(1,295,242)
Trade and other payables		(817,231)	(4,704,194)
Advances from tenants		93,317	524,889
Net cash used in operating activities		(985,325)	(5,119,879)
INVESTING ACTIVITIES			
Purchase of fixed assets	5	(10,067)	(23,591)
Investment income		264,889	718,904
Addition to investment properties		(5,873,561)	(3,431,834)
Proceeds from sale of investment properties		-	37,928,029
Investment in associate		(15,394)	(3,592,750)
Adjustments in investments in associates		1,809,471	-
Acquisition of available for sale investments		-	(4,901,000)
Non-controlling interest arising on incorporation of Al Yal Real Estate Company		-	125,000
Net cash (used in) from investing activities		(3,824,662)	26,822,758
FINANCING ACTIVITIES			
Wakala finance	16	-	5,000,000
Dividend paid		(25,042,500)	(3,180,000)
Wakala finance profit expense		636,636	(875,734)
Net cash (used in) from financing activities		(24,405,864)	944,266
(DECREASE) INCREASE IN BANK BALANCES		(29,215,851)	22,647,145
Bank balances at the beginning of the year		33,106,075	10,458,930
CASH AND CASH EQUIVALENTS		3,890,224	33,106,075

The attached notes 22 to 40 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2009

Attributable to equity holders of the parent

Notes	Share capital BD	Share premium BD	Statutory reserve BD	General reserve BD	Foreign currency translation reserve BD	Retained earnings BD	Proposed appropriations BD	Total BD	Non-controlling Interest BD	Total equity BD
Balance at 1 January 2008	31,800,000	27,241	2,112,210	855,425	-	8,038,077	4,770,000	47,602,953	-	47,602,953
Profit for the year	-	-	-	-	-	25,837,081	-	25,837,081	-	25,837,081
Total comprehensive income	-	-	-	-	-	25,837,081	-	25,837,081	-	25,837,081
Bonus shares issued	11	1,590,000	2,583,708	-	-	-	(1,590,000)	-	-	-
Transfer to statutory reserve	13	-	-	-	-	(2,583,708)	-	-	-	-
Transfer to general reserve	-	-	-	1,291,854	-	(1,291,854)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(3,180,000)	(3,180,000)	-	(3,180,000)
Proposed dividends - cash	15	-	-	-	-	(25,042,500)	25,042,500	-	-	-
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	125,000	125,000
Balance at 31 December 2008	33,390,000	27,241	4,695,918	2,147,279	-	4,957,096	25,042,500	70,260,034	125,000	70,385,034
Profit for the year	-	-	-	-	-	170,933	-	170,933	585	171,518
Other comprehensive income (loss)	-	-	-	-	(4,453)	-	-	(4,453)	-	(4,453)
Total comprehensive income	-	-	-	-	(4,453)	170,933	-	166,480	585	167,065
Transfer to statutory reserve	13	-	17,093	-	-	(147,093)	-	-	-	-
Transfer to general reserve	-	-	-	8,547	-	(8,547)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(25,042,500)	(25,042,500)	-	(25,042,500)
Balance at 31 December 2009	33,390,000	27,241	4,713,011	2,155,826	(4,453)	5,102,389	-	45,384,014	125,585	45,509,599

The attached notes 22 to 40 form part of these financial statements

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

1- ACTIVITIES

First Real Estate Company B.S.C. (closed) ("the Company") was incorporated in the Kingdom of Bahrain on 10 September 2002 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 49288. The Group is engaged in the acquisition, development, renting out and disposal of high quality, stable and secure real estate investment opportunities in the Kingdom of Bahrain and GCC. The Group primarily operates in the Kingdom of Bahrain. The address of the Group's registered head office is Al Rossais Tower - diplomatic area, Room No 171 & 172, Building No. 283, Block No 317, Road No 1704, Manama, Kingdom of Bahrain.

The Group comprises of First Real Estate Company B.S.C. and the following subsidiary and associate as of 31 December 2009:

Company Name	% shareholding	Country of incorporation	Year of incorporation	Industry
Subsidiary:				
Al Yal Real Estate Company W.L.L.	50%	Kingdom of Bahrain	2008	Real Estate
Associates:				
Al-Sanbook R.E. Co (formerly Injazaat Business Management LLC)	25%	United Arab Emirates	2006	Real Estate
Asdaf Real Estate Company LLC	50%	United Arab Emirates	2009	Real Estate

2- SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law.

The consolidated financial statements have been presented in Bahraini Dinars ("BD") which is the functional currency of the Group.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December each year.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the parent company using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interest represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisition of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consolidation and book value of the share of the net assets acquired is recognised in goodwill.

Changes in accounting policy and disclosure

The accounting policies adopted by the Group are consistent with those used in the previous year, except that the Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as of 1 January 2009.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions, effective 1 January 2010 (early adopted)
- IFRS 7 Financial Instruments: Disclosures, effective 1 January 2009
- IAS 1 Presentation of Financial Statements, effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation, effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement, effective for periods ending on or after 30 June 2009
- IFRIC 15 Agreement for the Construction of Real Estate, effective 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 October 2008
- Improvements to IFRSs

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. However the implementation of IFRS 8 and the revisions to IAS 1 and IFRS 7 had an impact on the presentation and disclosures required in the consolidated financial statements of the Group.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Entities are required to apply this amendment for annual periods beginning on or after 1 January 2009, with no requirement to provide comparatives on transition.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has early adopted amendments to the following standards. The adoption of these amendments did not have any effect on the financial performance or position of the Group and did not result in any changes to the disclosures in the Group's consolidated financial statements.

IAS 18 Revenue

The IASB has added guidance (which accompanies the standard) to

- has primary responsibility for providing the goods or service;
- has inventory risk;
- has discretion in establishing prices;
- bears the credit risk.

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

IAS 40 Investment Property:

Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the Valuation obtained increased by any recognised liability.

Other amendments resulting from Improvements to IFRSs did not have any significant impact on the accounting policies, financial position or performance of the Group.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- *IFRS 2 Share-based Payment*
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
- *IFRS 7 Financial Instruments: Disclosures*
- *IFRS 8 Operating Segment Information*
- *IAS 7 Statement of Cash Flows*
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Error*
- *IAS 10 Events after the Reporting Period*
- *IAS 19 Employee Benefits*
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IAS 29 Financial Reporting in Hyperinflationary Economies*
- *IAS 34 Interim Financial Reporting*
- *IAS 39 Financial Instruments: Recognition and Measurement*
- *IAS 41 Agriculture*
- *IFRIC 9 Reassessment of Embedded Derivatives*
- *IFRIC 16 Hedge of a Net Investment in a Foreign Operation*

Investment in an associate

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investments in the associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments and is not amortised or separately tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of associates.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each statement of financial position date whether any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

currency rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial assets***Initial recognition***

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Available for sale investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments. After initial recognition, investments are remeasured at fair value except for investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost. Unrealised gains and losses are reported as a separate component in equity until the investments are derecognised or the investments are determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income for the year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term deposits with original maturity of three months or less.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;
- b) For assets carried at amortised cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Financial liabilities***Initial recognition***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial liabilities include trade and other payables, term loan and advances from tenants.

Wakala finance and loans payable

After initial recognition, interest and profit bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Interest and profit are charged to the statement of comprehensive income as it accrues. Accrued interest and profit are included in accruals in trade and other payables.

Advance from tenants

Rent received in advance from tenants is recorded as a liability and recognized as rent revenue when the rent is due.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Equipment

Furniture, computers and vehicles are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight line basis over the estimated useful lives of assets as follows:

Computers	4 years
Furniture	7 years
Vehicles	7 years

The carrying values of furniture, computers and vehicles are reviewed for impairment when events or changes in circumstances indicate that the carrying values 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, being the higher of their fair value less costs to sell and their value in use.

Investment properties

Investment properties are initially measured at cost which is the fair value of the consideration given to acquire the properties, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Group enters into long term lease arrangements for property. Where these properties meet the requirements of "IAS 40 - Investment Properties", the leases are treated as finance leases and the properties are capitalised as investment properties at the present value of the minimum lease payments. In most cases these the lease payments for these properties are payable in full at the time the lease is initiated resulting in no finance lease liability.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Finance cost

Finance cost are recognised as an expense in the period in which it is incurred. Finance cost relating to qualifying assets are capitalised as part of that qualifying asset.

Rental revenue

Rental revenue arising from investment properties is accounted for on a straight line basis over the lease term on ongoing leases.

3- STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following IFRSs and IFRIC interpretations that have been issued but not yet effective:

- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements effective 1 July 2009.
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners, effective 1 July 2009
- IFRIC 18 Transfers of Assets from Customers, effective 1 July 2009

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39, effective 1 July 2009.

IFRS 3 (Revised), effective from 1 July 2009, introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IAS 27 (Amended), effective from 1 July 2009, requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

4- KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumption concerning the future and other key sources of estimation uncertainties at the financial position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:

Useful lives of furniture, computers and vehicles

The Group's management determines the estimated useful lives of its furniture and computers for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimate.

Fair value of investment properties

The Group's management accounts for investment properties at fair values at the financial position date. These fair values are determined by a professional valuer based on the circumstances in existence and on the assumptions of available buyers as on that date. The valuation is made annually and the future values of investment properties will be adjusted accordingly based on the changes in the estimation. Any difference in the amount actually realised in the future periods and the changes in fair values will be recognised in the statement of comprehensive income.

Impairment of account receivables

An estimate of the collectible amount of trade accounts receivable 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 overdue, are assessed collectively and a provision applied according to the age of the debt, based on historical recovery rates.



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Impairment of investments

The Group's management reviews its investments for impairment. The assessment is carried out when there has been a significant or prolonged decline in the fair value below its cost or where objective evidence of impairment exists.

5- EQUIPMENT

	Furniture BD	Computers BD	Vehicles BD	Total BD
Cost:				
At 1 January 2009	32,989	17,313	8,855	59,157
Additions	<u>75</u>	<u>9,992</u>	<u>-</u>	<u>10,067</u>
At 31 December 2009	<u>33,064</u>	<u>27,305</u>	<u>8,855</u>	<u>69,224</u>
Depreciation:				
At 1 January 2009	9,345	6,213	1,001	16,559
Provided during the year	<u>4,993</u>	<u>4,861</u>	<u>1,328</u>	<u>11,182</u>
At 31 December 2009	<u>14,338</u>	<u>11,074</u>	<u>2,329</u>	<u>27,741</u>
Net carrying amount:				
At 31 December 2009	<u>18,726</u>	<u>16,231</u>	<u>6,526</u>	<u>41,483</u>
	Furniture BD	Computers BD	Vehicles BD	Total BD
Cost:				
At 1 January 2008	27,028	8,538	-	35,566
Additions	<u>5,961</u>	<u>8,775</u>	<u>8,855</u>	<u>23,591</u>
At 31 December 2008	<u>32,989</u>	<u>17,313</u>	<u>8,855</u>	<u>59,157</u>
Depreciation:				
At 1 January 2008	4,947	3,330	-	8,277
Provided during the year	<u>4,398</u>	<u>2,883</u>	<u>1001</u>	<u>8,282</u>
At 31 December 2008	<u>9,345</u>	<u>6,213</u>	<u>1,001</u>	<u>16,559</u>
Net carrying amount:				
At 31 December 2008	<u>23,644</u>	<u>11,100</u>	<u>7,854</u>	<u>42,598</u>

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6- INVESTMENT PROPERTIES

	2009	2008
	BD	BD
Opening balance as at 1 January	47,014,841	55,886,231
Additions during the year	5,873,561	3,483,916
Disposals during the year	-	(19,889,696)
Transfer to available for sale investments	-	(38,942)
Expenditure written off	-	(1,097)
	52,888,402	39,440,412
Net gain from fair value adjustment	595,682	7,574,429
	53,484,084	47,014,841

Investment properties are stated at fair values, which have been determined by directors based on the valuations performed by accredited independent valuers as at 31 December 2009. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

During 2008 the Group subdivided existing land held as investment property into 21 individual plots. 13 of these plots were sold to realise the gains from capital appreciation while the remaining 8 plots were kept as investment properties. The plots sold had an approximate book value of BD 19.2 million. The approximate profit realised on the sales was BD 18 million.

Investment properties include two land parcels under long term lease arrangements. The leases have been fully paid and are for a minimum of 50 years.

7- INVESTMENTS IN ASSOCIATES

The carrying amounts included in the statement of financial position represent the company's share of net assets in associates as of 31 December and are as follows:

	2009	2008
	BD	BD
As at 1 January	3,592,750	-
Investment Al-Sanbook R.E. Co.	-	3,592,750
Investment in Asdaf Real Estate Company LLC	15,394	-
Refund of investment in Al-Sanbook R.E. Co.	(1,809,471)	-
Adjustment of prior year loss of associates	(5,736)	-
Share of loss of associates	(401,585)	-
Foreign currency exchange loss	(4,453)	-
	1,386,899	3,592,750



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The Company's share of total assets, liabilities and results of operations of the associates as of 31 December are as follows:

	Sanbook	Asdaf	Total
	2009	2009	2009
	BD	BD	BD
Ownership	<u>25.0%</u>	<u>50.0%</u>	
Current Assets	<u>228,720</u>	<u>271,900</u>	<u>500,621</u>
Non Current Assets	<u>1,423,776</u>	<u>-</u>	<u>1,423,776</u>
Total Assets	<u>1,652,496</u>	<u>271,900</u>	<u>1,924,397</u>
Current Liabilities	<u>1,107,941</u>	<u>-</u>	<u>-</u>
Non Current Liabilities	<u>-</u>	<u>260,512</u>	<u>260,512</u>
Total Liabilities	<u>1,107,941</u>	<u>260,512</u>	<u>260,512</u>
Net Assets	<u>544,556</u>	<u>11,388</u>	<u>555,943</u>
Revenues	<u>23,814</u>	<u>266</u>	<u>24,080</u>
Expenses	<u>(421,408)</u>	<u>(4,258)</u>	<u>(425,666)</u>
Loss	<u>(397,593)</u>	<u>(3,992)</u>	<u>(401,585)</u>

In 2008 the Group acquired 25% interest in Al-Sanbook R.E. Co. ("Sanbook"). Sanbook was incorporated in May 2006 and will be involved in the acquisition, sale and lease of investment properties in United Arab Emirates. The Company had not yet commenced operations as at 31 December 2008.

Asdaf Real Estate Company LLC ("Asdaf") was incorporated in August 2009. The group acquired a 50% interest in the Company which is to be involved in the acquisition, sale and lease of investment properties. The Company is in the initial stages of set up and has not yet commenced operations.

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8- AVAILABLE FOR SALE

	2009	2008
	BD	BD
Available for sale investments - unquoted equity shares	<u>4,939,942</u>	<u>4,939,942</u>

The unquoted investments are carried at cost, as fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

9- TRADE AND OTHER RECEIVABLES

	2009	2008
	BD	BD
Trade receivable - Rent (net of BD 228,642)	25,633	111,716
Advances to contractors	33,618	1,193,520
Amount due from a shareholders	407,440	343,269
Amount due from associates	532,167	-
Amount due from non-controlling interests	120,000	-
Other receivables	138,517	64,210
Interest receivable - short term deposits	2,427	35,860
Prepaid expenses	6,090	5,710
Security deposit	1,995	995
Lease reservation fee	-	113,382
	<u>1,267,887</u>	<u>1,868,662</u>

Trade receivables are non-interest bearing. A provision for doubtful debts of BD 228,642 have been made during the year (2008: Nil) which has been recognised in the statement of comprehensive income. A further BD 109,196 of advance payments and other receivables has been written off during the year.

Amounts due from a Shareholder of the Group represents commissions and other expenses paid by the Group on behalf of the shareholder. The balance is interest free and payable on demand.

Amounts due from associates represent excess investments made to the associate to be returned to the Group. The amounts are interest free with no fixed terms of repayment.

Amounts due from non-controlling interest represent amounts due to the subsidiary from the non-controlling shareholder. The amount is interest free and payable on demand.

Other receivables represents prepayments to consultants for an intended project. The Group have put the project on hold and intend to recover the outstanding amounts.



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As at 31 December, the aging analysis of trade receivables is as follows:

	Total BD	Neither past	Past due but not impaired			
		due nor	<30	30-60	60-90	>90
		impaired	days	days	days	days
		BD	BD	BD	BD	BD
2009	25,633	25,633	-	-	-	-
2008	111,716	-	28,371	83,345	-	-

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

10- CASH AND BANK

	2009 BD	2008 BD
Cash at banks*	1,365,142	28,106,075
Murabaha term deposit**	2,525,082	5,000,000
	3,890,224	33,106,075

* BD 1,232,706 is deposited with Dubai branch of Ahli Bank of Kuwait with an effective profit rate of 2.25% and the balancing amount is primarily deposited in a Wakala investment account with a Bahrain branch of National Bank of Kuwait at an effective profit rate of 1.75% (2008: 4.75%) which is credited to the bank account based on a Wakala agreement between the two parties.

**Murabaha term deposit is a short term deposits with a commercial bank in the Kingdom of Bahrain. The deposit is denominated in Bahraini Dinars with an effective profit rate of 3.45% (2008: 4.5%) and a maturity of not more than three months.

11- SHARE CAPITAL

	2009 BD	2008 BD
Authorised:		
333,900,000 (2008: 333,900,000) ordinary shares of 100 Fils (2008: 100 Fils) each	33,390,000	33,390,000
Issued, subscribed and paid up:		
At 1 January	33,390,000	31,800,000
Bonus issued during the year	-	1,590,000
	33,390,000	33,390,000

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12- SHARE PREMIUM

This represents the balance transferred after setting off share issuance and restructuring expenses incurred by the Company from the amount of 5 fils received in excess of the face value of shares from the subscribers of share capital.

13- STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's article of association, 10% of the profit for the year has been transferred to a statutory reserve. The Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

14- FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising on the translation of the Group's investment in foreign associate.

15- DIVIDENDS PAID AND PROPOSED

A cash dividend of 75 fils per share, totalling BD 25,042,500 relating to 2008 was authorised at the Annual General Meeting and paid during 2009. A cash dividend of 10 fils per share amounting to BD 3,180,000 and a bonus share issue amounting to BD 1,590,000 representing 5% of issued and paid-up share capital relating to 2007 were authorised and paid during 2008.

16- WAKALA FINANCE

	2009 BD	2008 BD
Wakala finance 1	12,999,221	12,999,221
Wakala finance 2	<u>5,000,000</u>	<u>5,000,000</u>
	<u>17,999,221</u>	<u>17,999,221</u>

Wakala finance 1

The finance arrangement is unsecured, carries a profit rate of Bibor plus 1.25% and is repayable in one lump sum payment on 1 November 2011. Profit is paid on a quarterly basis and is expensed to the statement of comprehensive income. Accrued profit of BD 5,417 (2008: Nil) is included in trade and other payables.

Wakala finance 2

The finance arrangement is secured by a first charge over certain land included in the Group's investment properties with a carrying value of BD 10,009,012. The loan is repayable in two instalments falling on 2012 and 2015 and has a profit rate at BIBOR plus 1.25%. The profit is paid on a quarterly basis and is capitalised within investment properties. Accrued profit of BD 39,583 (2008: BD 52,082) is included in trade and other payables.



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17- TRADE AND OTHER PAYABLES

	2009	2008
	BD	BD
Trade payables	16,631	381,925
Accrued expenses	26,135	471,072
Retention money payable	629,621	459,231
Amounts due to related parties	12,120	152,853
Accrued profit	45,000	52,082
Current account with property manager	15,425	-
	<u>744,932</u>	<u>1,517,163</u>

Trade payables are generally non-interest bearing and are settled on 30 day terms.

Retention money payable represents 10% of project costs incurred by the contractor retained by the Group until completion of the relevant project. The amount is non-interest bearing.

Amounts due to related parties represents BD 10,000 (2008: BD 105,000) due to the Board of Directors for their remuneration and BD 2,120 (2008: BD 47,853) due to a shareholder of the Group. The amounts are non-interest bearing and payable on demand.

18- COMMITMENTS

Capital expenditure commitment

Authorised capital expenditure contracted for at the statement of financial position date amounted to BD 329,967 (2008: BD 3,904,770).

19- RELATED PARTY TRANSACTIONS

"Related parties represent associated companies, 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.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

- The Group made an advance payment to a shareholder of the Group for construction expenditure totalling BD 1,619,525 (2008: BD 605,600). Of this BD 33,618 (2008: BD 156,558) is unrecovered. Total payments made to the shareholder for 2009 was BD 5,178,859 (2008: BD 3,036,667).
- Management fees of nil (2008: BD 400,000) payable to shareholders has been included as accrued expenditure as at 31 December 2009. The expense has been included in administration expenses.

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- Total building expenses paid to a company related to a shareholder were BD 189,769 (2008: BD 183,562).
- A company related to a shareholder acts as property manager on an investment property for the company. There was net rent receivable of BD 25,633 (2008: BD 30,929) as at 31 December 2009 relating to this property.

For amounts due from shareholders, associates and non-controlling interests, see note 9.

For amounts due to related parties, see note 17.

Compensation of key management personnel

The remuneration of the directors and members of key management during the year were as follows:

	2009 BD	2008 BD
Short term benefits	<u>35,750</u>	<u>111,908</u>
Employees' end of service benefits	<u>-</u>	<u>431</u>

Outstanding balances arise in the normal course of business and are interest free and unsecured. The Group only creates an allowance for impairment for related party balances where it is virtually certain the debt will not be recovered. For the year ended 31 December 2009, the Group has not recorded any impairment of amounts owed by related parties (2008: nil).

20- RISK MANAGEMENT**Introduction**

The Group manages risk through a process of ongoing identification and monitoring of the risks it faces. The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk, and market risk.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing liability (loan from a commercial bank).

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible change in interest rates, with all other variables held constant on a floating rate loan.



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The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate loan held at 31 December 2009. There is no impact on the Group's equity.

	Increase/ decrease in basis points	Effect on profit for the period BD
2009		
BD	+10	(17,999)
BD	-10	17,999
2008		
BD	+10	(17,999)
BD	-10	17,999

Credit risk

The Group seeks to limit its credit risk by determining payment terms and conditions in the lease agreement with the tenants and by monitoring and follow up of overdue payments.

Since the Group has let out its properties to a large number of tenants, therefore, there is no significant concentration of credit risk.

Currency risk

The Group mainly transacts its business in Bahraini Dinars. Hence there is no significant currency risk for the Group.



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Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market's interest rates.

Year ended 31 December 2009	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
Wakala finance	216,240	648,720	15,499,221	2,500,000	18,864,181
Account payable and accruals	744,932	-	-	-	744,932
Total	961,172	648,720	15,499,221	2,500,000	19,609,113
Year ended 31 December 2008	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
Wakala finance	301,424	904,272	18,214,845	2,709,331	22,129,872
Account payable and accruals	1,517,163	-	-	-	1,517,163
Total	1,818,587	904,272	18,214,845	2,709,331	23,647,035

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

21- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of accounts receivable and prepayments, due from a related party, bank balances and cash. Financial liabilities consist of accounts payable and accruals and advances from tenants.

The fair value of financial instruments are not materially different from their carrying amounts.

