

ANNUAL REPORT 2010



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.Istfbh.net





His Majesty
King Hamad Bin Isa Al Khalifa
King of Bahrain

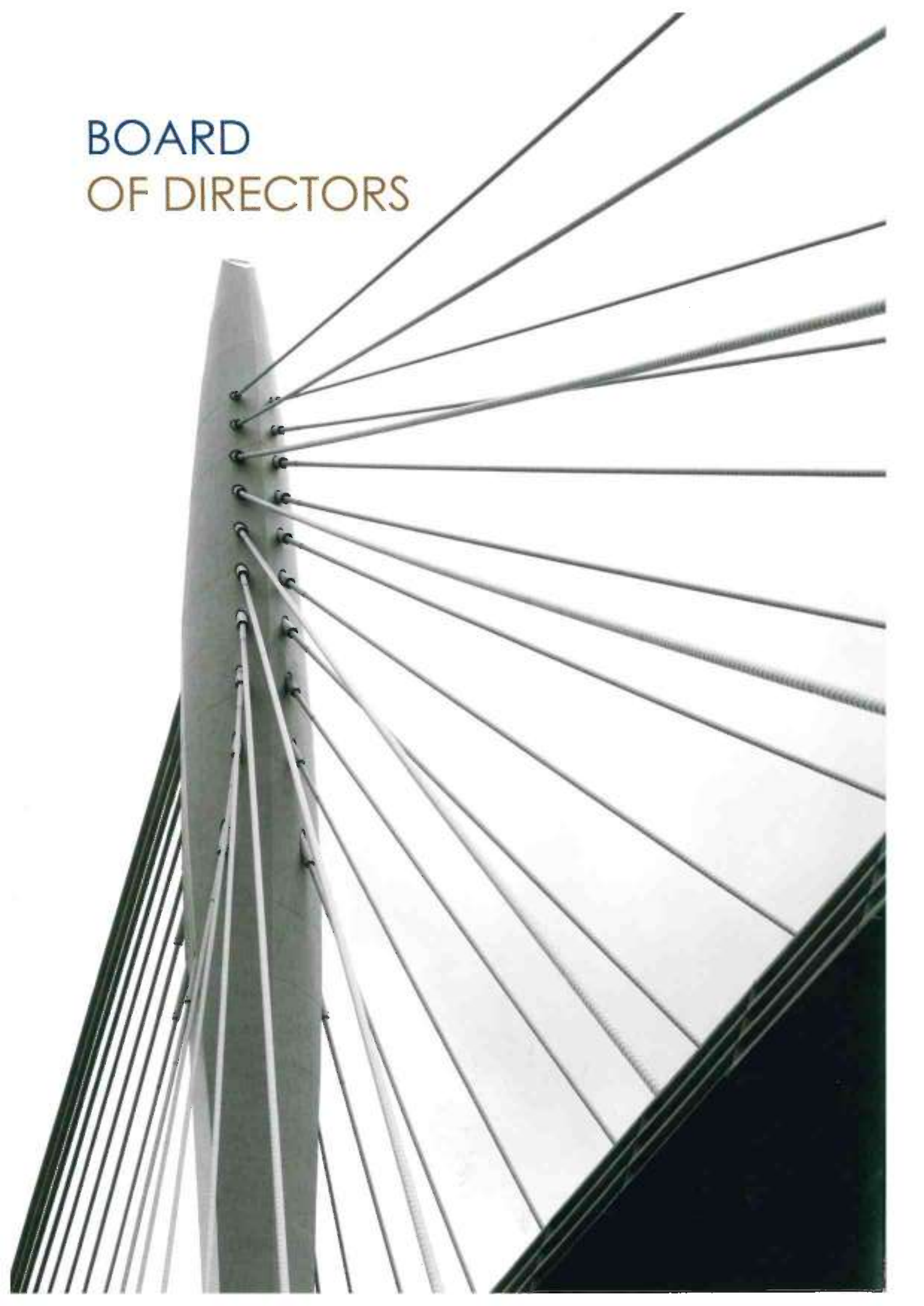


His Highness
Shaikh Khalifa Bin Salman Al Khalifa
The Prime Minister.



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

BOARD
OF DIRECTORS





Mohammed Ibrahim Al Farhan
Chairman



Abdulghaffar Abdulrahim Al-Kooheji
Vice Chairman



Hamad Abdulaziz Al Shaya
Board Member



Mohammad Ahmad Al Qassimi
Board Member



Ahmad Saoud Al Sumait
Board Member



Gerard Snablan
Board Member



Hadeel Abdulatif Binnaji
Board Member



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CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to present to you, on behalf of my fellow members of the board, the annual report of First Real Estate Co. including the results of activities during the fiscal year ending on 31st December, 2010.

Although the critical and difficult phase of the international financial crisis is almost over, as most reports indicate, it is still going through a state of fragile recovery that needs more support to ensure full recovery. There is a consensus that GCC states were fortunately less impacted by the crisis and were also ahead of other countries in the world to get out of the crisis in a relatively record time. However, despite all these positive indicators, the GCC countries have not completely overcome the implications of the international financial crisis. There are still some measures that need to be taken to revive the economy particularly in those sectors which were greatly impacted by the crisis such as the real estate sector.

The company continued to adopt conservative policies, taking into consideration the continuity of the negative pressures of the crisis in 2010 on the real estate sector within the region and managed to stay away from the impacts of the international financial crisis, maintaining the value of its assets.

At the financial level, the company's assets totaled BD 71.2m as at the end of 2010 compared to BD 68m as at the end of 2009, up by 4.7%, where the main increase was in the minority rights. Shareholders' equity amounted to BD 45.7m as at the end of 2010

compared to BD 45.3m as at the end of 2009, up by 0.8%. Revenues amounted to BD 2.5m in 2010 against BD 1.9m in 2009 up by 22% while expenses amounted to BD 2.2m compared to BD 1.7m in 2009 up by 28% after taking provisions of BD 526k on the company's assets. This yields a net profit of BD 369 thousand in 2010 against BD 171 thousand in 2009, up by 100%.

In 2010, the company completed restoration of Muhaisna project, which has been fully leased. In April, The 100 Residence Tower was inaugurated and fully leased within a few months following the opening.

As for future plans, the company will continue to explore suitable opportunities to enhance its income resources and assets value while establishing alliances that would strengthen its footprint in the Kingdom as well as confirm its stature in the sector as a whole.

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

I would like also 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 2010 at procuring a broader field of investments by expanding its focus beyond the residential market to the commercial and warehouse market.

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.

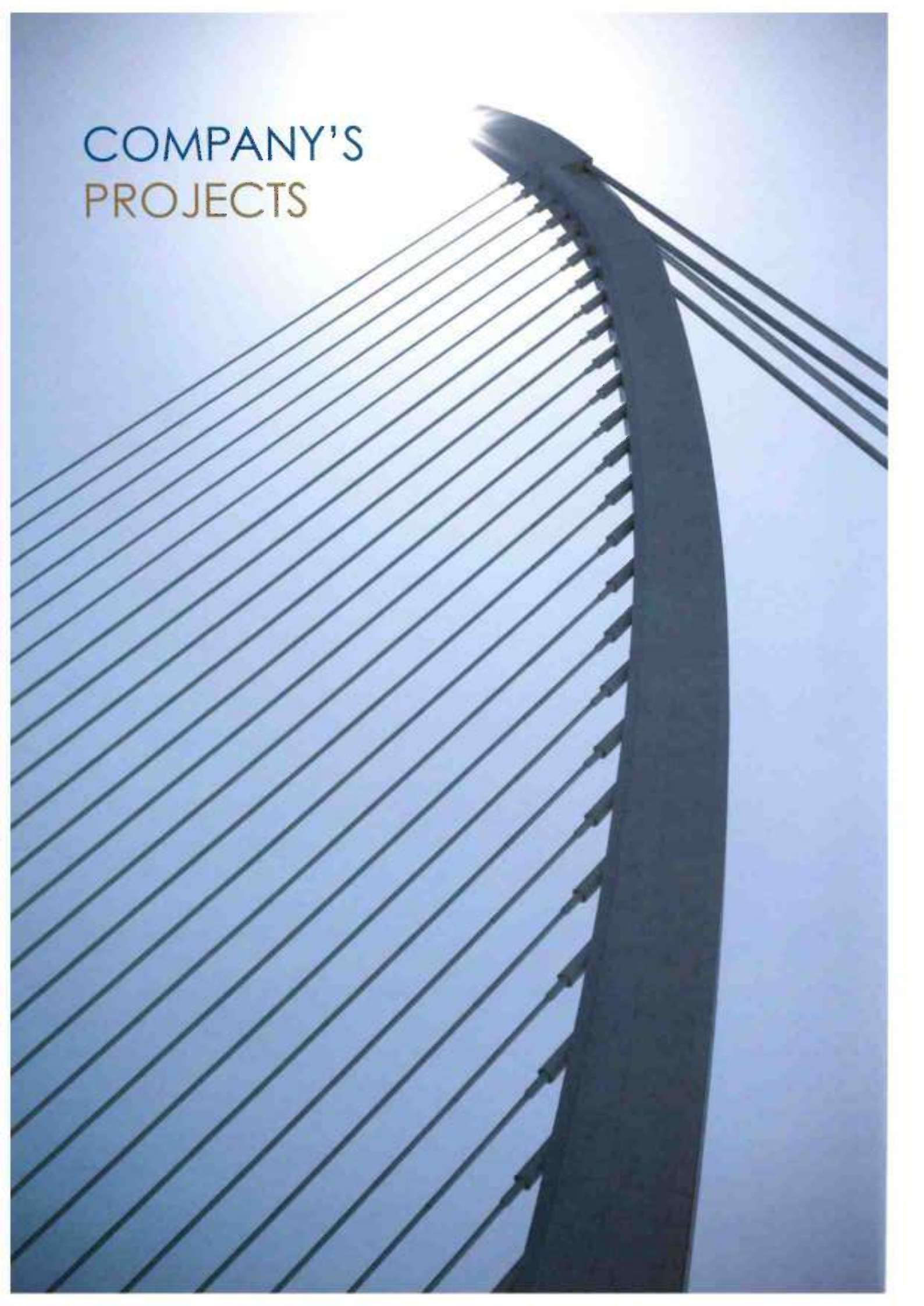
Vision

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 104 luxurious fully furnished apartments. The facilities and services provided include an indoor and an outdoor swimming pool, gymnasium, housekeeping, and 24 hours security. The project is fully leased.

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 Injazat 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. The project is fully leased.

II. Land Trading and Development

KINGDOM OF BAHRAIN

(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.

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 thirteen of its plots, covering a total area of 336,203 square feet, generating a substantial income to the Company. Of the remaining eight plots, three were merged containing a total land area of 70,290 square feet which will be utilized for the development of a residential accommodation. The Company aims to hold five remaining plots and sell them within the next two years.



Al Seef Residential Project- Al Seef District

In December 2010, the management decided to alter the project requirement to best suit the current market situation in Bahrain by developing two residential towers in two phases. Phase I comprise of a residential tower for both long and short term lease to be constructed on 1/3 of the land, equivalent to 2,206 sqm. Phase II will commence upon the completion of phase I, and will comprise of a residential tower for long term use. Phase I is currently under design and will be composed of twenty seven floors made up of: a ground floor, mezzanine, three car park levels, pool deck with more amenities, 6 typical floors for short term lease and fifteen floors for long term lease. The total built-up area for this project is 34,269 sqm (including the car park).

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, 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.

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.

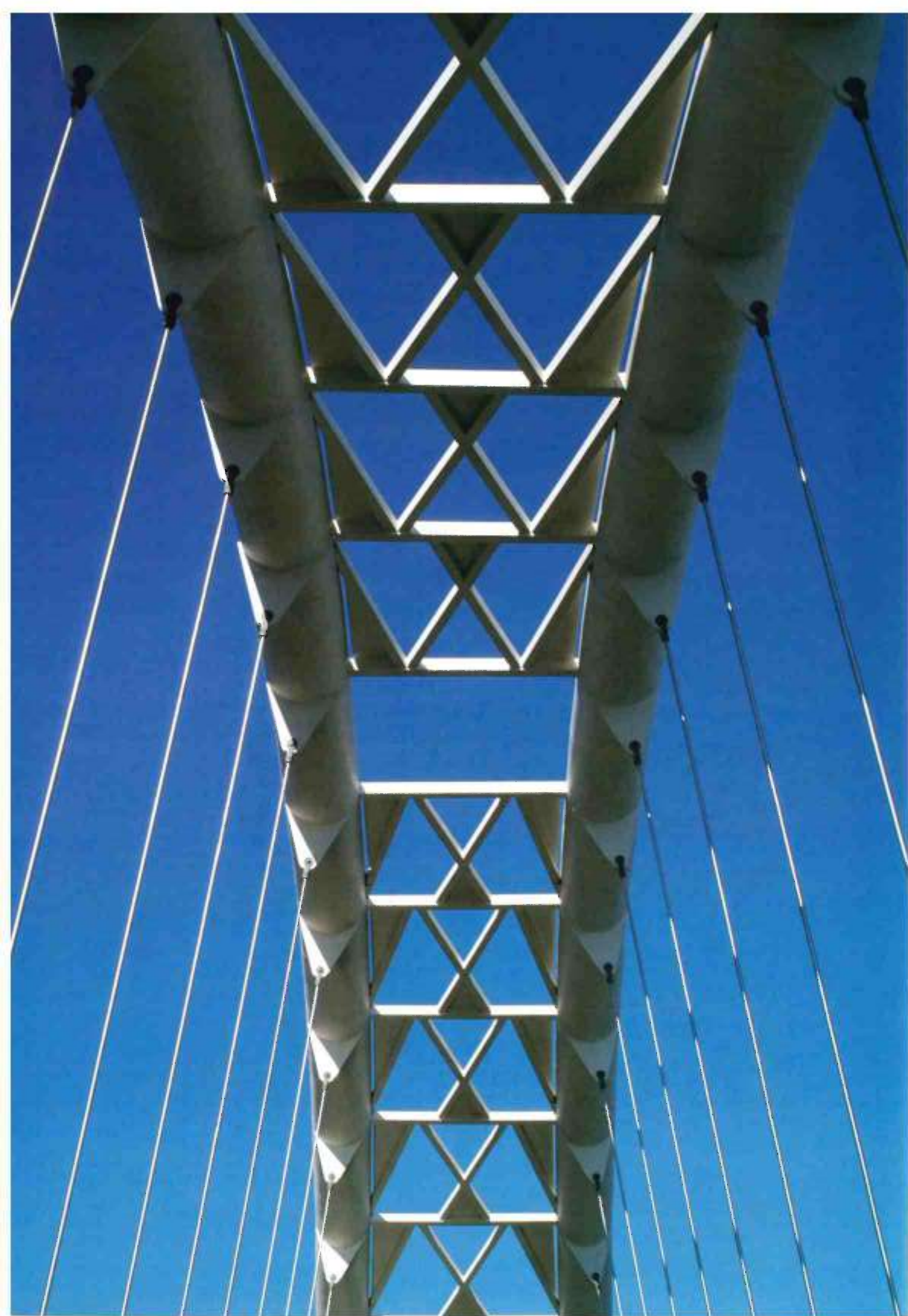


UNITED ARAB OF EMIRATES

Land in Jebel 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 Jebel 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

The international economic crisis that severely hit the global financial sector did not have much of a negative impact in the Bahraini macro economy although the Kingdom is considered a financial center. The Bahraini macro economy realized a real growth of about 3.1% in 2009 or one year after the crisis and is supposed to realize a strong growth rate of about 4.4% in 2010 according to the Economist Intelligence Unit. The bulletin anticipates that the positive and strong growth will continue in 2011 posting a rate similar to that of 2010 or about 4.4% while the growth expectations rise up to 5.6% in 2012. The Bahraini economy's reliance on the services sector in general, including the financial services, which realized a higher than average rate of growth of about 6.6% in 2010, and expected to rise up to 7.1% in 2011 and 7.8% in 2012, means that the services sector will continue to recover albeit at a slower pace compared to the pre-crisis era.

The Bahraini government has adopted an expansionist monetary policy, which contributed to early recovery of the economy in 2009. This yielded a budget deficit in the order of 6.1% of the gross domestic product, but this can be avoided over the forthcoming three years 2010-2012 if the government attends to keeping the budget balanced. Thus the public debt level will start to diminish from 60.1% of the gross domestic product in 2010 to 56.8% and 51.6% in 2011 and 2012 respectively.

With the decline of exports to about US\$ 11.1bn in 2009 from US\$ 17.5bn in 2008 and the rise of the public debt to about US\$ 14.7bn in 2010 compared to about US\$ 10.2bn and US\$ 10.5bn in 2008 and 2009 respectively, the current account surplus started to decline down from US\$ 2.3bn in 2008 to about US\$ 0.56bn in 2009. It is anticipated to make a surplus of about US\$ 0.49bn in 2010 and to slip down negatively to about US\$ 0.14bn in 2011 before it starts to recover and get back to a surplus level of about US\$ 0.54bn in 2012.

Although the Bahraini Dinar is fully tied to the American dollar, which means exclusion of the exchange tool in the face of inflation, and the Bahraini economy being freely open to the world making it greatly vulnerable to the movement of commodity and services prices in the world, the inflation rates remained under control. The inflation rates peaked in 2007 posting 3.4% and stood at 2.7% and 2.5% in 2009 and 2010 respectively. It is expected to rise minimally in 2011 to about 2.9% then to about 3.2% in 2012 with the heat being experienced by some economies around the world leading to increased demand on raw materials and foodstuffs.

In general, the Kingdom's economy has overcome the implications of the international financial crisis, having realized positive and relatively high growth, although at a slower pace in 2009. With the exception of the crisis year that led to expansion in public borrowing to stimulate growth in public spending, which had negative reflections on the budget deficit and subsequently on the current account, expectations indicate that things will return to a natural situation in the near future. However, the real estate market will remain in its recession cycle due to the high stock of large units, construction of which had started in the time of prosperity. Thus it will take some time until the supply has been absorbed and this means that pressure will continue on its liquidity and prices of units. However, provided that the economy continues to post positive growth and the surrounding economies such as the very hot Qatari economy continue to boom, the real estate market can be expected to reach a balanced state by 2012.

Second: Performance Indicators of the Domestic Real Estate Market

According to the information available from the Central Bank of Bahrain, the real estate activities and business services contribution to the gross domestic product increased gradually during the years 2001-2009 recording an annual compound growth rate (ACGR) of about 7.6%, from BD 285m in 2001 to about BD 512m in 2009. This was in parallel with the increase in gross domestic product which rose at an ACGR of about 11.8% for the same period and amounted to about BD 7,264m in 2009 compared to about BD 2,982m in 2001. The real estate activities and business services contribution to the gross domestic product amounted to about 7.1% in 2009 compared to 9.6% in 2001. Non-oil sectors posted an ACGR of about 12% compared to about 10.9% posted by the oil sector during the same period.

The construction loans amounted to about BD 1.9m as at the end of 2010 (up to November calculated on an annualized basis) i.e., a percentage of 31.3% of the total loans of about BD 6.2bn (up to November calculated on an annualized basis), up by about 17.7% compared to the construction loans as at the end of 2009, which amounted to about BD 1.7bn or 28.2% of total loans for the same year. The construction loans as at the end of 2008 grew by about 26.2% to each BD 1.5bn compared to BD 776.6m as 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 number of construction permits issued during the first six months of 2010 up to June amounted to about 5.9 thousand permits or about 11.9 thousand permits calculated on an annualized basis up by about 16.5% compared to 2009 when they 10.2 thousand permits had been issued.

Comparison of construction loans to total loans

Construction licenses	% of total	2010*	% of total	2009	% of total	2008	% of total	2007	% of total	2006
Additions	52.6%	6278	55.5%	5693	46.0%	5156	45.7%	4854	48.3%	5459
Demolitions	11.1%	1324	6.2%	842	9.0%	1004	6.8%	727	5.1%	893
Demolitions and building	0.8%	90	0.6%	64	1.0%	117	3.9%	412	3.4%	387
New building	26.4%	3,185	28.1%	2,580	32.6%	3,575	35.5%	2,772	25.3%	3,193
Backfilling	0.1%	12	0.1%	8	0.3%	34	0.2%	26	0.3%	39
Restoration	0.1%	124	0.4%	186	10.8%	1217	7.9%	806	6.6%	738
Total licenses	100%	11,944	100%	10,253	100%	11,203	100%	10,626	100%	11,303

Table 2- Data calculated on annualized basis in June 2010

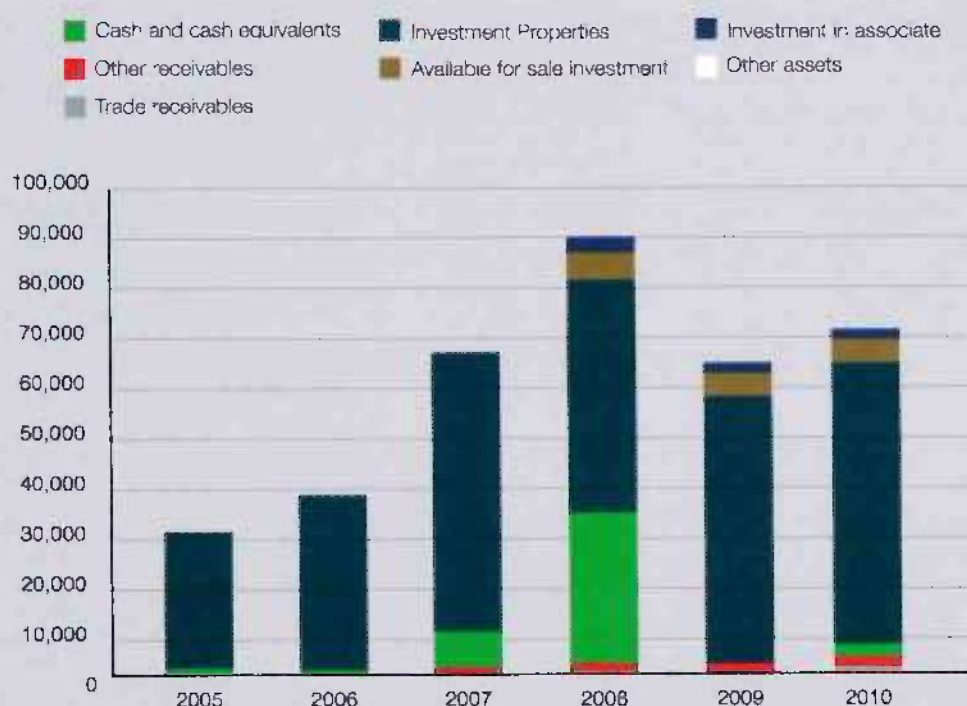
It is noted that the number of new construction permits numbered about 1.6 thousand or about 3.1 thousand permits calculated on an annualized basis compared to 2.9 thousand permits in 2009 up by about 9.6%. As in most countries of the world, the growth in construction works is driven by the end user, that is, the private sector for commercial purposes.

Financial Performance

First: The Financial Position

First Real Estate Co.'s assets rose in 2010 by about 9.5% or BD 6.2m to about BD 71.2m compared to BD 65m in 2009. The real estate investments item counted for the largest part of assets marking about BD 59.5m or 83.6% of the company's total assets (82.3% of total assets in 2009), up by about BD 6m compared to 2009. This rise was due to the acquisition of an unsubstantial share of BD 5.7m in Al Yal Co. comprising of three lands under development in Al Seef area. . The company maintained its investments available for sale from 2008 to 2010 at about BD 4.9m or 6.9% of total assets (7.6% of total assets in 2009). Investments in an affiliate company amounted to about BD 1.3m or about 1.8% of total assets (2.1% in 2009) down by about 9.3% from about BD 1.4m in 2009. It is worth mentioning that all these were investments in real estate companies.

Development of First Real Estate Co.'s assets during 2005-2010



Common Size	2005	2006	2007	2008	2009	2010
Trade receivables	0.37%	0.32%	0.25%	0.12%	0.04%	0.40%
Other receivables	0.15%	-	0.66%	1.31%	1.01%	1.76%
Cash and cash equivalents	1.63%	0.47%	15.63%	36.56%	5.98%	5.50%
Investment Properties	97.85%	99.13%	83.52%	51.91%	82.27%	83.59%
Available for sale investments	-	-	-	5.95%	7.00%	6.94%
Investment in associate	-	-	-	3.97%	2.13%	1.77%
Other assets	-	0.04%	0.04%	0.05%	0.06%	0.05%

Total liabilities rose minimally to about BD 19.7m which is very close to its level of 2009 marking some BD 19.5m. There was no change in the pension funding which amounted to about BD 18m between 2008 and 2010. Total shareholders' equity also rose by about 13.1% or about BD 5.9m to about BD 51.5m, the major increase of which was in minority interest. The macroeconomic performance improved positively on most economic sectors following a drop in the growth pace of most of them in 2009. With more liquidity inflows to the real estate sector, some units distinguished by strategic location, superior service and quality boomed, which are also the features of the company's real estate assets and thus there has been an increase in the occupancy rates of its units and improvement in the rental levels.

Second: The Financial Performance

As at the end of 2010, the company realized revenues of about BD 2.5m compared to about BD 1.9m in 2009, up by about BD 547.3k. This rise in total revenues was the result of growth in rental income by about BD 1.4m to about BD 2.3m, counting for about 95.4% of total revenue (51.5% of total revenue in 2009). This increase resulted from operating a residential building that was developed and fully leased by the end of 2010. In contrast, the Wakala income dropped from BD 214.3k in 2009 to about BD 26 in 2010. Murabaha income has increased from 53k in 2009 to 66.2k in 2010. Other incomes also dropped by about BD 18.5k, standing at about BD 47.4k in 2010 compared to BD 65.9k in 2009.

Expenses in 2010 amounted to about BD 2.2mn, up by about 28.3% from about BD 1.7mn in 2009. This increase in expenses was due to the decrease in the fair value of real estate investments by about BD 525.9k which are unrealized losses. The real estate expenses increased by about BD 288.7k to about BD 548.9k in 2010 compared to BD 260.2k in 2009 after operating the new residential building. The funding expenses increased by about BD 261.5k to about BD 853.1k compared to BD 591.6k in 2009.

Accordingly, net profits amounted to about BD 226.1k minimally over 2009. The earning per share realized about 0.7 Bahraini fils compared to about 0.5 Bahraini fils in 2009. Profitability indicators, including return on assets and return on equity are still far away from the levels realized by the company during the years from 2006 to 2008.

The following table summarizes some financial indicators for the period (2005 to 2010)

Financial Indicators	2005	2006	2007	2008	2009	2010
EPS - Fils	10.8	26.4	28.8	77.4	0.5	0.7
BV - Fils	101.9	126.1	149.7	210.4	105.8	167.0
ROE	10.1%	20.5%	13.7%	28.5%	0.3%	0.3%
ROA	10.6%	20.6%	19.3%	36.8%	0.4%	0.5%
ROC	10.8%	26.4%	28.8%	77.4%	0.5%	0.7%

The image features a series of overlapping, semi-transparent white and dark blue arcs that create a complex, layered geometric pattern. The arcs are set against a solid, vibrant blue background. The overall effect is one of depth and movement, with the lines appearing to recede into the distance.

FINANCIAL
STATEMENTS

First Real Estate Company B.S.C. (Closed)
Report Of The Board Of Directors And
Consolidated Financial Statements
31 December 2010

FIRST REAL ESTATE COMPANY B.S.C. (CLOSED) REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in submitting its report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal activities and review of business developments

The Group is engaged in the acquisition, development, renting out and sale of high quality, stable and secure real estate investment opportunities in the Kingdom of Bahrain and other Gulf Co-operation Council countries.

The Group made a net profit of BD 226,153 during the year ended 31 December 2010 (2009: BD 171,518) of which a profit BD 369,187 is attributable to the equity holders of the parent (2009: BD 170,933) and a loss of BD 143,034 is attributable by the non- controlling interests (2009: a profit of BD 585)

Movement in retained earnings:

	2010 BD	2009 BD
Balance as of 1 January	5,102,389	4,957,096
Profit for the year	226,153	171,518
Transfer to statutory reserve	(36,919)	(17,093)
Transfer to general reserve	-	(8,547)
Non controlling interest	143,034	(585)
Balance as of 31 December	<u>5,434,657</u>	<u>5,102,389</u>

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 2011, will be submitted to the Annual General Meeting.

Signed on behalf of the Board



Chairman
16 February 2011

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Real Estate Company B.S.C. (closed) (the Company) and its subsidiary (the Group) which comprise the consolidated statement of financial position as at 31 December 2010 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 information.

Directors Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 consolidated financial statements.

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

Opinion

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

Report on Other Regulatory Requirements

We confirm that, in our opinion, proper accounting records have been kept by the Company and the consolidated financial statements and the contents of the Report of the Board of Directors relating to these 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 2010 that might have had a material adverse effect on the business of the Company or on its financial position. We obtained all the information and explanations which we required for the purpose of our audit.



16 February 2011
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 BD	2009 BD
ASSETS			
Non-current assets			
Furniture, equipment and vehicles	7	38,786	41,483
Investment properties	8	59,519,911	53,484,084
Investments in associates	9	1,257,430	1,386,899
Available for sale investment	10	4,939,942	4,939,942
		<u>65,756,069</u>	<u>59,852,408</u>
Current assets			
Trade and other receivables	11	1,535,462	1,267,887
Cash and cash equivalents	12	3,915,553	3,890,224
		<u>5,451,015</u>	<u>5,158,111</u>
TOTAL ASSETS		<u>71,207,084</u>	<u>65,010,519</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	33,390,000	33,390,000
Share premium	14	27,241	27,241
Statutory reserve	15	4,749,930	4,713,011
General reserve		2,155,826	2,155,826
Foreign currency translation reserve	16	(2,491)	(4,453)
Retained earnings		5,434,657	5,102,389
		<u>45,755,163</u>	<u>45,384,014</u>
Non-controlling interests		5,715,773	125,585
Total equity		<u>51,470,936</u>	<u>45,509,599</u>
Non-current liabilities			
Wakala finance	18	5,000,000	17,999,221
Advance from tenants	19	725,400	452,000
		<u>5,725,400</u>	<u>18,451,221</u>
Current liabilities			
Wakala finance	18	12,999,221	-
Trade and other payables	20	532,427	744,932
Advances from tenants	19	479,100	304,767
		<u>14,010,748</u>	<u>1,049,699</u>
Total liabilities		<u>19,736,148</u>	<u>19,500,920</u>
TOTAL EQUITY AND LIABILITIES		<u>71,207,084</u>	<u>65,010,519</u>



Mohammad Al Farhan
Chairman



Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The attached notes on page 24 to 45 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2010

	Notes	2010 BD	2009 BD
INCOME			
Rental revenue		2,347,406	984,785
Murabaha income		66,203	53,037
Wakala income		26	214,279
Other income		47,400	65,905
Change in fair values of investment properties	8	-	595,682
		2,461,035	1,913,688
EXPENSES AND OTHER CHARGES			
Finance costs	18	853,127	591,636
Property expenses		548,966	260,244
Change in fair values of investment properties	8	525,999	-
Share of loss of associates	9	131,431	407,321
Administrative expenses		61,642	64,739
Staff costs		88,169	59,362
Consultancy and professional fees		13,126	9,848
Depreciation	7	12,422	11,182
Bad debt expense	11	-	228,642
Advances and other receivables written off		-	109,196
		2,234,882	1,742,170
		226,153	171,518
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME/(LOSS)			
Foreign currency translation		1,962	(4,453)
		228,115	167,065
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Profit (loss) attributable to:			
Equity holders of the parent		369,187	170,933
Non-controlling interests		(143,034)	585
		226,153	171,518

The attached notes on page 24 to 45 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2010

	Notes	2010 BD	2009 BD
OPERATING ACTIVITIES			
Comprehensive income for the year		226,153	171,518
Adjustments for :			
Depreciation	7	12,422	11,182
Change in fair values of investment properties	8	525,999	(595,682)
Share of loss of associates	9	131,431	407,321
Finance costs	18	853,127	591,636
Murabaha and wakala income		(66,229)	(267,316)
Bad debt expense		-	228,642
Advances and other receivables written off		-	(109,196)
Operating profit before working capital changes		1,682,903	438,105
Working capital changes:			
Trade and other receivables		(264,737)	483,756
Trade and other payables		(212,505)	(817,231)
Advances from tenants		447,733	93,317
Net cash from operating activities		1,653,394	197,947
INVESTING ACTIVITIES			
Purchase of furniture, equipment and vehicles	7	(9,725)	(10,067)
Murabaha and wakala income received		63,391	264,889
Addition to investment properties	8	(828,604)	(5,873,561)
Investment in associate	9	-	(15,394)
Refund of investments in associates	9	-	1,809,471
Net cash used in investing activities		(774,938)	(3,824,662)
FINANCING ACTIVITIES			
Wakala finance costs paid		(853,127)	(546,636)
Dividend paid		-	(25,042,500)
Net cash used in financing activities		(853,127)	(25,589,136)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		25,329	(29,215,851)
Cash and cash equivalents at the beginning of the year		3,890,224	33,106,075
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	3,915,553	3,890,224

Non cash items:

- 1) Trade and other payables include the effect of unpaid wakala finance costs for the year amounting to BD 45,000 (31 December 2009 : BD 45,000).
- 2) Trade and other receivables include the effect of accrued interest not yet received on short term deposits for the year amounting to BD 5,265 (31 December 2009 : BD 2,427).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2010

	Attributable to equity holders of the parent											
	Notes	Share capital BD	Share premium BD	Statutory reserve BD	General reserve BD	Foreign Currency		Retained earnings BD	Proposed appropriations BD	Total BD	Non-controlling interests BD	Total Equity BD
						Translation Reserve BD	Reserve BD					
Balance at 1 January 2010		33,390,000	27,241	4,713,011	2,155,826	(4,453)	5,102,389	-	45,384,014	125,585	45,509,599	
Profit / (loss) for the year		-	-	-	-	-	369,187	-	369,187	(143,034)	226,153	
Other comprehensive income		-	-	-	-	1,962	-	-	1,962	-	1,962	
Total comprehensive income (loss)		-	-	-	-	1,962	369,187	-	371,149	(143,034)	228,115	
Contribution by non-controlling interests *		-	-	-	-	-	-	-	-	5,733,222	5,733,222	
Transfer to statutory reserve	15	-	-	36,919	-	-	(36,919)	-	-	-	-	
Balance at 31 December 2010		33,390,000	27,241	4,749,930	2,155,826	(2,491)	5,434,657	-	45,755,163	5,715,773	51,470,936	
Balance at 1 January 2009		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 loss		-	-	-	-	(4,453)	-	-	(4,453)	-	(4,453)	
Total comprehensive (loss) income		-	-	-	-	(4,453)	170,933	-	166,480	585	167,065	
Transfer to statutory reserve	15	-	-	17,093	-	-	(17,093)	-	-	-	-	
Transfer to general reserve		-	-	-	8,547	-	(8,547)	-	-	-	-	
Dividend paid	17	-	-	-	-	-	-	(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	

* Represents contribution in kind of investment property (refer to note 8).

The attached notes on page 24 to 45 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2010

1- CORPORATE INFORMATION

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, rental and sale of high quality, stable and secure real estate investment opportunities in the Kingdom of Bahrain and Gulf Co-operation Council countries ("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. (closed) and the following subsidiary and associate companies as of 31 December 2010

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

First Real Estate Company has a significant influence ie. the power to participate in the financial and operating policy decisions of the Asdaf Real Estate Company L.L.C. but does not have control nor joint control over those policies. Hence, Asdaf is deemed as an associate of the Company

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 16 February 2011.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

Basis of consolidation

Basis of consolidation from 1 January 2010

As a result of adopting revisions and amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (refer to note 3), the basis of consolidation from 1 January 2010 is as follows:

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

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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised as goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

3- CHANGES IN ACCOUNTING POLICIES**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 2010.

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements
- IFRIC 17 Leases (Amendment)
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items, effective 1 July 2009
- Improvement to IFRS (April 2009).

IFRS 3 (Revised) Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial Statements:
The revised standards are effective prospectively for business combinations affected in financial periods beginning on or after 1 July 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that 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. The adoption of the amendments and revisions has not had any impact on the Group's current year financial position or performance.

IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as an equity transaction. Therefore, such a transaction would no longer give rise to goodwill, nor 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. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

IAS 17 Leases - amendment

This amendment is effective for financial periods beginning on or after 1 January 2010.

This amendment deletes much of the existing wording in the standard to the effect that all leases of land (where title does not pass) are operating leases. The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or a finance lease, the same criteria are applied as for any other asset. All leases of land by the Group as lessee are already accounted for as finance leases under the fair value option for leases in IAS 40. This change has no impact on the financial position or the performance of the Group for 2009 or 2010. However, this amendment may have an impact in that future disposals of land via a long lease will be treated for accounting purposes as disposals under finance leases rather than the issue of operating leases.

Improvements to IFRSs

In April 2009 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The adoption of the following amendment resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group. The principal effects of the changes are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Furniture, equipment and vehicles

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

Such cost includes the cost of replacing part of the furniture, equipment and vehicles and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of furniture, equipment and vehicles are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the furniture, equipment and vehicles as a replacement cost if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

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.

An item of furniture, equipment and vehicles and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in the consolidated statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

Investment Properties

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified under investment property when the definition of an investment property is met. The lease obligation is recognised under IAS 17 at fair value of the interest in the leasehold property.

Investment property is measured initially at cost including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gain or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise. For the purposes of these financial statements, in order to avoid "double accounting", the assessed fair value is:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- Increased by the carrying amount of any liability to the supplier leaseholder or freeholder that has been recognized in the statement of financial position as a finance lease obligations.

Investment property is derecognized when it has been disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investments in associates

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 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 the 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 investments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

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, 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 assets include cash and bank balances, trade and other receivables and available for sale investments.

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 consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Rent and other receivables are recognised at the lower of their original invoiced value or, where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, and short term deposits with original maturity of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents is comprised of cash and short term deposits as defined above net of outstanding bank overdrafts if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

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. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the 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 loans and advances from tenants.

Wakala finance and loans payable

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

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

Advance from tenants

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

Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

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. 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.

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.

Employees' end of service benefits

The Group makes contributions to the Social Insurance Organisation scheme for its national employees calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria are met before revenue is recognised:

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into leases, is recognised on a straight line basis over the lease term on ongoing leases.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate or to compensate of dilapidations are recognised in the consolidated statement of comprehensive income when they arise.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

Sale of completed property

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing costs.

Foreign currency translation

The consolidated financial statements are presented in Bahraini Dinars. Each entity in the Group determines its functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate ruling at the reporting date. All differences are taken to profit or loss.

Non monetary items that are measures 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.

The assets and liabilities of foreign operations are translated into Bahraini Dinars at the rate of exchange prevailing at the reporting date and their statement of income are translated at the weighted average exchange rates for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

5- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions considering the future and other key sources of estimation uncertainty at the date of statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements other than estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of property

The Group determines whether a property is classified as investment property or development property:

investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Development property comprises properties that are held for sale in the ordinary course of business. Principally this relates to residential property that the Group develops and intends to sell on or before completion of construction.

Estimates

Valuation of investment property

The Group 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 consolidated statement of comprehensive income.

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques. The fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009 and, to a lesser extent, into 2010. Therefore, in arriving at their estimates of market values as at 31 December 2009 and 31 December 2010, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

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. Management have not noted any indicators that would suggest any impairment of investments.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables 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.

6- 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 9 Financial Instruments: Classification and Measurement, effective 1 July 2013.
- IAS 24 (Revised 2009) Related Party Disclosures, effective 1 January 2011.
- IAS 32 (Amendment) Financial Instruments: Presentation - Classification of Rights Issues, effective 1 February 2010.
- IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement, effective 1 January 2011.
- IFRIC 19 Extinguishing Financial Liabilities with equity instruments, effective July 2010.
- Improvements to IFRS (May 2010), effective on various dates.

The implementation of these revisions and amendments will not have any significant impact on the Group's financial performance or position.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The Directors will quantify the effect on the Group in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

The Group, however, expects no impact from the adoption of the new standards and amendments on its financial position or performance.

Improvements to IFRSs

In May 2010 the Board issued a series of omnibus of amendments to its standards. There are separate transitional provisions for each standard. The adoption of these amendments will not have any effect on the financial performance or position of the Group and are not expected to result in any significant changes to the disclosures in the Group's consolidated financial statements. The improvements will become effective from 1 July 2010 through to 1 January 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

7- FURNITURE, EQUIPMENT AND VEHICLES

	Furniture BD	Computers BD	Vehicles BD	Total BD
Cost:				
At 1 January 2010	33,064	27,305	8,855	69,224
Additions	850	-	8,875	9,725
At 31 December 2010	33,914	27,305	17,730	78,949
Depreciation:				
At 1 January 2010	14,338	11,074	2,329	27,741
Provided during the year	5,060	5,895	1,467	12,422
At 31 December 2010	19,398	16,969	3,796	40,163
Net carrying amount:				
At 31 December 2010	14,516	10,336	13,934	38,786
	Furniture BD	Computers BD	Vehicles BD	Total BD
Cost:				
At 1 January 2009	32,989	17,313	8,855	59,157
Additions	75	9,992	-	10,067
At 31 December 2009	33,064	27,305	8,855	69,224
Depreciation:				
At 1 January 2009	9,345	6,213	1,001	16,559
Provided during the year	4,993	4,861	1,328	11,182
At 31 December 2009	14,338	11,074	2,329	27,741
Net carrying amount:				
At 31 December 2009	18,726	16,231	6,526	41,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

8- INVESTMENT PROPERTIES

	2010	2009
	BD	BD
Opening balance as at 1 January	53,484,084	47,014,841
Contributed by non controlling interest *	5,733,222	-
Additions during the year	828,604	5,873,561
	60,045,910	52,888,402
Net (loss) gain from fair value adjustment	(525,999)	595,682
	59,519,911	53,484,084

Investment properties are stated at fair values, which have been determined by the directors based on the valuations performed by accredited independent valuers. 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.

* Contribution by non controlling interests represents a contribution in kind of land by Al Dhow Real Estate Company W.L.L. at its fair value on the date of contribution and the legal formalities has been completed on 28 January 2010 on transfer of legal ownership of the properties to Al Yal Real Estate Company W.L.L. ("the subsidiary").

Additions for the period include finance costs capitalised amounting to BD 62,500 (2009: BD 326,911) as a result of financing certain investment properties under development through Wakala Finance facilities. (note 18).

Investment properties include one land parcel under a long term lease arrangement. The lease has been fully paid and is for a minimum of 50 years.

9- INVESTMENTS IN ASSOCIATES

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

	2010	2009
	BD	BD
As at 1 January	1,386,899	3,592,750
Share of loss of associates	(131,431)	(401,585)
Foreign currency exchange gain (loss)	1,962	(4,453)
Investment in Asdaf Real Estate Company L.L.C. ("Asdaf")	-	15,394
Refund of investment in Al-Sanbook Real Estate Company L.L.C. ("Sanbook")	-	(1,809,471)
Adjustment of prior year loss of associates	-	(5,736)
	1,257,430	1,386,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

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

	Sanbook	Asdaf	Total
	2010	2010	2010
	BD	BD	BD
Ownership	25%	50%	
Current assets	227,571	275,401	502,972
Non current assets	1,302,371	-	1,302,371
Total assets	1,529,942	275,401	1,805,343
Current liabilities	284,108	263,805	547,913
Non current liabilities	-	-	-
Total liabilities	284,108	263,805	547,913
Net assets	1,245,834	11,596	1,257,430
Revenues	324	2,865	3,189
Expenses	(131,949)	(2,671)	(134,620)
Loss	(131,625)	194	(131,431)
Foreign currency exchange gain	1,947	14	1,962
	31 December 2009		
	Sanbook	Asdaf	Total
	2009	2009	2009
	BD	BD	BD
Ownership	25%	50%	
Current assets	228,720	271,900	500,620
Non current assets	1,423,776	-	1,423,776
Total assets	1,652,496	271,900	1,924,396
Total liabilities	276,984	260,512	537,497
Net assets	1,375,512	11,388	1,386,899
Revenues	23,998	266	24,264
Expenses	(421,591)	(4,258)	(425,849)
Loss	(397,593)	(3,992)	(401,585)
Foreign currency exchange loss	(4,439)	(14)	(4,453)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

In 2008 the Group acquired a 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 the United Arab Emirates. The company had not yet commenced operations as at 31 December 2010.

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.

10- AVAILABLE FOR SALE INVESTMENTS

	2010	2009
	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

11- TRADE AND OTHER RECEIVABLES

	2010	2009
	BD	BD
Trade receivables	285,922	254,275
Less: Provision for doubtful debts	-	(228,642)
	285,922	25,633
Amounts due from shareholders	561,618	407,440
Amount due from associates	532,946	532,167
Amount due from non-controlling interests	119,331	120,000
Advances to contractors	10,139	33,618
Other receivables	9,170	138,517
Prepaid expenses	9,076	6,090
Interest receivable - short term deposits	5,265	2,427
Security deposit	1,995	1,995
	<u>1,535,462</u>	<u>1,267,887</u>

Trade receivables are non-interest bearing. A provision for doubtful debts of BD 228,642 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2009 and has been utilised to expense doubtful receivable during the year. BD 109,196 relating to advance payments and other receivables were written off during the year ended 31 December 2009. No provision is required against doubtful receivables as at 31 December 2010.

Amounts due from Shareholders represents commissions and other expenses paid by the Group on behalf of the shareholder of BD 413,592 in addition to trade receivables amounting to BD 148,026 for managing Al Mohaisna property in Dubai. 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 interests represent amounts due to the subsidiary from the non-controlling shareholder. The amount is interest free and payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

Trade receivables are normally due in advance based on rental agreements. Unimpaired receivables are not past due and 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.

Movements in the allowance for impairment of receivables were as follows:

	2010	2009
	BD	BD
At 1 January	228,642	-
Charge for the year	-	228,642
Amounts written off	(228,642)	-
At 31 December	-	228,642

12- CASH AND CASH EQUIVALENTS

	2010	2009
	BD	BD
Cash on hand	295	-
Cash at banks	621,899	132,436
Murabaha term deposits*	3,293,359	3,757,788
	<u>3,915,553</u>	<u>3,890,224</u>

Murabaha term deposits are short term deposits with commercial banks in the Kingdom of Bahrain and United Arab Emirates. The deposit are denominated in Bahraini Dinars and United Arab Emirates Dirhams with an effective profit rate ranging between 2% to 2.60% (2009: 3.45%) and a maturity of not more than three months.

13- SHARE CAPITAL

	2010	2009
	BD	BD
Authorised:		
333,900,000 (2008: 333,900,000) ordinary shares of 100 Fils (2009: 100 Fils) each	<u>33,390,000</u>	33,390,000
Issued, subscribed and paid up	<u>33,390,000</u>	<u>33,390,000</u>

14- 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.

15- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

16- 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 its foreign associate.

17- 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. No dividends are proposed in respect of the current year.

18- WAKALA FINANCE

	2010 BD	2009 BD
Wakala finance 1	12,999,221	12,999,221
Wakala finance 2	5,000,000	5,000,000
	<u>17,999,221</u>	<u>17,999,221</u>
Less: current portion	(12,999,221)	-
Non-current portion	<u>5,000,000</u>	<u>17,999,221</u>

Wakala finance 1

The finance arrangement is unsecured, carries an interest rate of Biber plus 1.25% and is repayable in one lump sum payment on 1 November 2011. Interest is paid on a quarterly basis and is expensed to the consolidated statement of comprehensive income. Accrued interest of BD 5,417 (2009: BD 5,416) 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 amount is repayable in two instalments falling due in 2012 and 2015 and has an interest rate at Biber plus 1.25%. The interest is paid on a quarterly basis and is capitalised within investment properties. The interest is paid on a half yearly basis and has been capitalised within investment properties till the completion of the project effectively on 31 March 2010. Accrued interest of BD 39,583 (2009: BD 39,583) is included in trade and other payables.

Finance charges incurred on Wakala finances 1 and 2 have been included in the consolidated statement of comprehensive income are as follows:

	2010 BD	2009 BD
Wakala finance 1	660,794	590,180
Wakala finance 2	190,972	-
Bank charges	1,361	1,456
	<u>853,127</u>	<u>591,636</u>

Finance charges capitalised and included in the cost of investment properties is as follows:

	2010 BD	2009 BD
Wakala finance 2	<u>62,500</u>	<u>378,993</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

19- ADVANCES FROM TENANTS

	2010	2009
	BD	BD
Long term advances *	948,600	568,000
Other advances	255,900	188,767
	<u>1,204,500</u>	<u>756,767</u>
Less: current portion	(479,100)	(304,767)
Non current portion	<u>725,400</u>	<u>452,000</u>

* In October 2009, the company entered into 15 year lease agreement with a customer commencing in April 2010. The customer was required to pay an advance of BD 1,116,000 in two instalments which would be amortised over a 5 year period commencing April 2010. The final instalment of BD 548,000 was received from the customer at the commencement of the year.

20- TRADE AND OTHER PAYABLES

	2010	2009
	BD	BD
Trade payables	31,343	16,631
Retention money payable	328,020	629,621
Current account with property manager	66,792	15,425
Accrued finance costs	45,000	45,000
Accrued expenses	49,152	26,135
Amounts due to related parties	12,120	12,120
	<u>532,427</u>	<u>744,932</u>

Retention money payable represents 5% of project costs incurred by the contractor retained by the Group until completion of the relevant project. The amount is non-interest bearing.

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

Amounts due to related parties represents BD 10,000 (2009: BD 10,000) due to the Board of Directors for their remuneration and BD 2,120 (2008: BD 2,120) due to a shareholder of the Group. The amounts are non-interest bearing and payable on demand.

21- COMMITMENTS

Capital expenditure commitments

The Group does not have capital expenditure commitments as of 31 December 2010 (2009: authorised capital expenditure contracted for at the statement of financial position date amounted to BD 329,967).

22- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

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

- Total building expenses paid to a company related to a shareholder were BD 385,923 (2009: BD 189,769).
- The Group has not made any advance payments to a shareholder of the Group for construction expenditure (2009: BD 1,619,525). The advance amount not yet utilised by the Group as of 31 December 2010 is BD 10,139 (2009: BD 33,618). Total payments made to the shareholder for the construction of an investment property for 2010 was BD 558,405 (2009: BD 5,178,859).
- A company related to a shareholder acts as property manager for certain investment properties of the Group. During the year ended 31 December 2010, the Group incurred property expenses of BD 425,135 (2009: BD 221,719) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.
- A shareholder also acts as a property manager on an investment property for the company. During the year ended 31 December 2010, the Group incurred property expenses of BD 123,831 (2009: BD 38,530) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.
- For amounts due from shareholders, associates and non-controlling interests, see note 11.
- For amounts due to related parties, see note 20.

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 2010, the Group has not recorded any impairment of amounts owed by related parties. (2009: Same).

Compensation of key management personnel

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

	2010 BD	2009 BD
Board of Director's remuneration	-	-
Short term benefits	-	35,750
Employees end of service benefits	614	820

23- 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, currency risk and liquidity risk,

Board of Directors

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

Market risk

Market risk is the risk that fair values of financial instruments will fluctuate because of changes in market prices. This comprises Interest rate risk and currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 31 December 2010

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its floating interest bearing Wakala Finance and its murabaha deposit. The sensitivity of the income is the effect of the assumed changes in interest rates, with all other variables held constant, on the Group's profit for one year, based on floating rate financial liabilities held at 31 December 2010.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to a reasonably possible change in interest rates, with all other variables held constant on the Group's floating rate loan and its murabaha deposit as of 31 December 2010:

	Increase/ decrease in basis points	Effect on profit for the year BD
Finance costs 2010		
BD	+10	(17,999)
BD	-10	17,999
2009		
BD	+10	(17,999)
BD	-10	17,999
Murabaha income		
2010		
BD	+10	3,293
BD	-10	(3,293)
2009		
BD	+10	3,758
BD	-10	(3,758)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense are denominated in a different currency from the Group's functional currency.

The Group mainly transacts its business in Bahraini Dinars and other GCC currencies which are all pegged to the United States Dollar. Hence there is no significant currency risk for the Group.

Credit risk

The credit risk is the risk that a counter party will not meet its obligations under a financial instrument or a customer contract leading to a financial loss. The Group is exposed to credit risk on its trade and other receivables and cash and cash equivalents. The Group places its cash and cash equivalents with banks having a good credit rating. With regards to amount due from related parties, management believes that they do not represent a significant credit risk.

As the Group has let out its properties to a large number of tenants, there is no significant concentration of 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 following up of overdue payments. Further, credit risk is managed by requiring tenants to pay rentals in advance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting its commitments. 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 2010, based on contractual payment dates and current market's interest rates.

Year ended	Less than	3 to 12	1 to 5	More than	
31 December 2010	3 months	months	years	5 years	Total
	BD	BD	BD	BD	BD
Wakala finance	224,990	13,578,304	5,065,972	-	18,869,266
Retention money payable	328,020	-	-	-	328,020
Trade payables	31,343	-	-	-	31,343
Current account with property manager	66,792	-	-	-	66,792
Amounts due to related parties	12,120	-	-	-	12,120
Total	663,265	13,578,304	5,065,972	-	19,307,541

Year ended	Less than	3 to 12	1 to 5	More than	
31 December 2009	3 months	months	years	5 years	Total
	BD	BD	BD	BD	BD
Wakala finance	224,990	687,470	16,369,327	2,500,000	19,781,787
Retention money payable	629,621	-	-	-	629,621
Trade payables	16,631	-	-	-	16,631
Current account with property manager	15,425	-	-	-	15,425
Amounts due to related parties	12,120	-	-	-	12,120
Total	898,787	687,470	16,369,327	2,500,000	20,455,584

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 shareholders' 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 2010 and 31 December 2009. Capital comprises equity of the Group and is measured at 31 December 2010 at BD 51,470,936 (31 December 2009: BD 45,509,599).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended 31 December 2010

24- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of trade and other receivables, cash and cash equivalents and available for sale investments. Financial liabilities consist of trade and other payables.

Except for available for sale investments carried at cost, the fair value of financial instruments are not materially different from their carrying amounts.

25- COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year presentation. Such reclassification did not affect previously reported net income or shareholder's equity.

	As previously reported BD	Reclassification BD	As reported here in BD
Consolidated statement of financial position			
Non current portion of advance from tenants	568,000	(116,000)	452,000
Current portion of advance from tenants	<u>188,767</u>	<u>116,000</u>	<u>304,767</u>
	<u>756,767</u>	<u>-</u>	<u>756,767</u>

إيضاحات حول القوائم المالية الموحدة

٣١ ديسمبر ٢٠١٠

٢٤ - القيم العادلة للأدوات المالية

تشتمل الأدوات المالية على الموجودات المالية والمطلوبات المالية.

تشتمل الموجودات المالية على ذم تجارية مدينة و ذم أخرى ونقد وما في حكمه وإستثمارات متاحة للبيع. تشتمل المطلوبات المالية على ذم تجارية دائنة و ذم أخرى.

باستثناء الإستثمارات المتاحة للبيع والمدرجة بالتكلفة، فإن القيمة العادلة للأدوات المالية لا تختلف بشكل جوهري عن قيمتها المدرجة.

٢٥ - أرقام المقارنة

تم إعادة تصنيف بعض أرقام المقارنة لكي تتناسب مع عرض السنة الحالية. إن إعادة التصنيف هذه لم تؤثر على صافي الدخل أو حقوق المساهمين المسجلين مسبقاً.

المسجلة حالياً	معاد تصنيفها	المسجلة مسبقاً
دينار بحريني	دينار بحريني	دينار بحريني
٤٥٢,٠٠٠	(١١١,٠٠٠)	٥٦٨,٠٠٠
٣٠٤,٧٦٧	١١٦,٠٠٠	١٨٨,٧٦٧
<u>٧٥٦,٧٦٧</u>	<u>-</u>	<u>٧٥٦,٧٦٧</u>

قائمة المركز المالي الموحدة
الجزء غير المتداول للمبالغ المدفوعة مقدماً من قبل المستأجرين
الجزء المتداول للمبالغ المدفوعة مقدماً من قبل المستأجرين