FIRST
Real Estate Co. B.S.C.
Acquisition • Development • Management

ANNUAL REPORT 2011

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FIRST

Real Estate Co. B.S.C.

Acquisition • Development • Management

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

Mohamed Ahmad Al-Qassimi
Board Member

Ahmad Saoud Al Sumait
Board Member

Gerard Snabian
Board Member

Mohamed Abdul-Hameed Al-Marzook
Board Member

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CHAIRMAN'S MESSAGE

Dear Shareholders, of First Real Estate Co.

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 for the fiscal year ending on 31st December 2011.

The challenges the Kingdom of Bahrain has seen due to the political crisis that gripped the country last year and the disturbances it has witnessed brought in heavy burdens on the various sectors which were already encumbered by the global financial crisis and implications. However, the efforts being made by the Government within the framework of national reconciliation to ensure political stability supported by successive reform programs would return the country to the stability that Bahrain has long enjoyed.

On the other hand, the implications of the global financial crisis are still casting shadows over the various markets, including the real estate sector, not to mention the U.S. and European sovereign debt crisis emerging on the global markets, particulalry in view of the European Union being too slow in making successful decisions to address the crisis before building around. This in turn contributed to the prolonged recovery from the global financial crisis. The GCC region remains unaffected by severe repercussions of these successive crises, though some sectors, especially the real estate sector, had their suffering manifested in a remarkable decline in capital values and real estate values as well as rent values besides lack of liquidity and rigorous conditions by lenders. However, in light of the actions that the government is seeking to take, the economic conditions forecast more stability and recovery, which would reflect on the real estate sector.

Your company continued to adopt conservative policies, taking into consideration the continuity of the negative pressures of the crisis in 2011 on the real estate within the region and remained away from the impacts of the international financial crisis, maintaining the value of its assets. It would be appropriate to note here that the company's assets enjoy excellent standing as the company's properties are fully occupied with the company seeking to cut down its indebtedness over the forthcoming years to enhance the financial positions of the company.

At the financial level, the company's assets totaled BD 71 million as at the end of 2011 compared to BD 71.2 million as at the end of 2010, down by 0.27%,. Shareholders equity amounted to BD 51.76 million as at the end of 2011 compared to BD 51.47 million as at the end of 2010, up by 0.56%. Revenues amounted to BD 3.23 million in 2011 against BD 2.46 million in 2010 up by 31.3% while expenses increased 34.5% to BD 3 million after taking provisions for changes in fair values of real estate investments and provision for the group's share in affiliate companies' losses compared to BD 2.23 million in 2010. Thus the net profit attributable to the parent company amounted to BD 0.649 million in 2011 against BD 0.369 million in 2010, up by 75.8 %. Meanwhile, the group's profit in 2011 amounted to BD 226.93 thousand against BD 226.15 thousand in 2010.

As for future plans, the company will continue to carefully explore suitable opportunities to enhance its income resources and assets value and will keep a keen eye on the changes and developments that occur in this instrumental sector at the local and regional levels.

Finally, I would like to extend, on behalf of the members of the Board and staff members, 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 staff members for their dedicated efforts towards more achievements.

Thank You,

Kindest Regards

Mohammad Ibrahim Al-Farhan
Chairman of the Board

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 2011 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 in the first Quarter of 2010. 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 an 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 investor in August 2009, and is considered to be one of the Company's most important income producing projects.

United Arab of Emirates

Labour Accommodation at Muhaisanah Area - Dubai

In October 2007, and in alliance with Injazzat Real Estate Development Company, the Company acquired a labour accommodation building in Muhaisanah area with a total area of 5,287 square meters. The building comprises of two floors containing a total of 401 rooms which have been refurbished in 2010. The project is fully leased.

II. Land Trading and Development

Kingdom of Bahrain

Al Seef Land - Al Seef District

In September 2005, the Company, in partnership with Dhow Real Estate 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. The remaining eight plots are held by the company for development and trading purposes.

Al Seef Residential Project- Al Seef District

The company allocated one of Al Seef land's plots, covering an area of 1,553 square meters, for the development of a luxurious residential tower. The tower will consist of 25 floors, with a total built up area of 19,178 square meters. It will include 130 fully furnished apartments in addition to a restaurant, gym, business center and a swimming pool. Construction is anticipated to commence in April 2012 and will continue for one year.

(G26) Bahrain Investment Wharf - Al Hidd Area

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

Hidd Industrial Land - Hidd Area

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

Madaen Al Luzi Project - Hamad Town

In January 2007, the Company acquired equity shares in Madaen Al Luzi Project. The original plan for the project is to develop 105 villas and 708 apartment units spreading over an area of 700,000 square feet at a total cost of US$ 75 million. However, Madaen Al Luzi changed its strategy to parcelizing the plots and selling them to potential investors. The company has redeemed 20% of its share in this project, after the initial process of selling some of the parcelized land.

Marsa Al Seef - Al Seef Area

Marsa Al Seef Project is located North 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 is currently working on phase one of the project, land reclamation which is projected to be completed Year 2012.

United Arab Emirates

Land in Jebal Ali - Dubai

As part of the Company's strategy to expand in its income generating projects, in August 2008, through the Company's 25% share in Al Sanbouk Real Estate L.L.C., the company acquired 2 plots of land with a total area of 41,980 square feet in Jebal Ali, Dubai. The plots are to be developed into a labour accommodation complex containing 576 rooms. However, due to the current economic situation, the project has been put on hold until the market recovers.

BAHRAIN REAL ESATATE & ECONOMIC MARKET OVERVIEW

Performance of the Domestic Economy

Having achieved a strong real growth of about 4.4% in 2010, the Bahraini economy, was hit by the global economy's poor performance due to the sovereign debt crisis in Europe and the United States of America as well as the Arab spring events and the internal political developments, has had a poor performance in 2011. The Economist Intelligence Unit expects that the real growth of Bahrain economy in 2011 would stand at 1.8% contrary to its previous forecasts stating that it would have growth rate similar to the 2010 level. The economy of Bahrain is based on the service industry, and therefore the recent economic events have led to the decline in the growth of the financial services sector for the second quarter of 2011 to about 1.7%. The hotel sector lost about 30% of the volume of demand, and the foreign direct investment flows dropped in 2011 to about 7.4 % from the level of 2008. The positive growth rate, though weak, remains acceptable given the gravity of the incidents at the global and regional levels. This growth was possible thanks to the commodity exports which rose due to the surge in oil prices as exports of oil and derivatives accounted for about 71% of the proceeds of commodity exports.

The Bahraini government continued to adopt an expansionary monetary policy with the public expenditure rising in 2011 by about 17.6% compared to the level of 2010. Despite high oil prices and consequently revenues, the budget deficit amounted to about 5.6% of GDP. The level of external debt increased from US$ 14.6 billion in 2010 to about US$ 15.2 billion in 2011, and the debt to GDP increased from 66.5% to 76.4% respectively due to the increase in public expenditure, part of which was funded through loans, and also because the growth in borrowing was higher than the growth of the economy.

The current account surplus improved during 2010 marking about 3.5% of GDP after it had fallen to about 2.9% in 2009. However, since then the number dropped again to 2.9% of GDP in 2011. Although this surplus went down to US$ 578 million in 2011, it remains positive in contrast to last year's forecasts, which presumed that it would slide down to negative, but the significant coverup came from the strength of the oil market and expectations of continued consistency of oil prices.

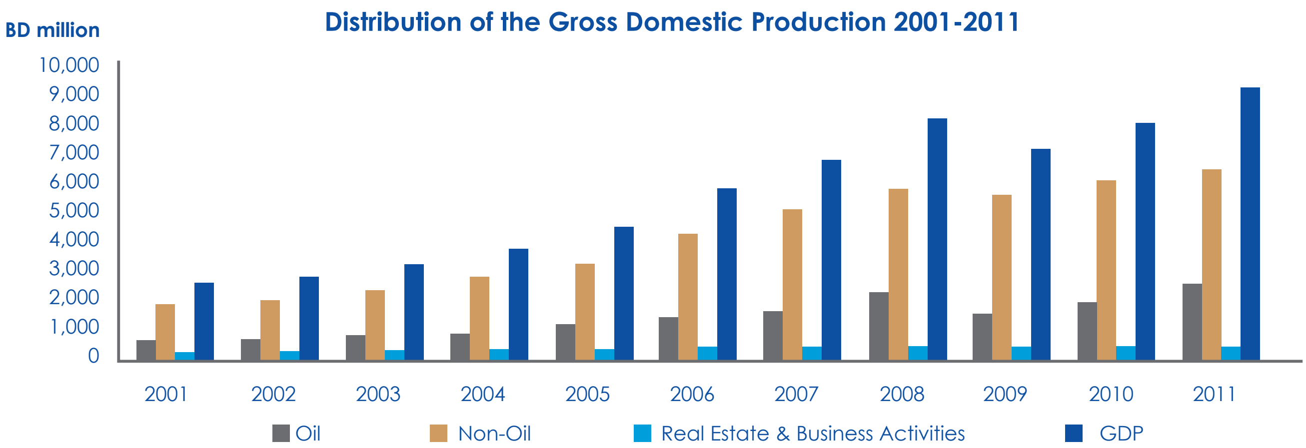
However, with the stability of the exchange rate of the Bahraini Dinar against the U.S. Dollar at 0.38 Dinars to the Dollar, and the link of interest rates between them, and the continued expansionary monetary policy (low interest rates), the obsession of stimulating growth remains greater than the obsession of inflation. In fact, the weak growth contributed to a decrease in inflation rates (the rate of consumer prices) to negative 0.5% in 2011 down from 2% in 2010, and it is expected to remain low and under control in the foreseeable future.

The Economist Intelligence Unit expects that the Bahraini economy's performance would start to improve starting from 2012 to achieve real growth rate of 3.3% with even better performance until 2016 with an average growth of up to 4.3%. It is expected that the budget deficit would reach its highest level in 2012 to about 8.8% of GDP before it starts to decline until 2016 down to 2.9%. The current account surplus is expected to continue to decline to 2% of GDP in 2012, and then it would begin to improve up to 5.8% in 2013, and by the year 2016, it would exceed the pre-crisis levels of 2008. Its forecasts also indicate that the interest rates will remain low and stable through 2012, and so will the exchange rate of the Bahraini Dinar against the U.S. Dollar until 2016. Meanwhile, the inflation rate (consumer prices) will be ranging between its lowest level of around 2.2% in 2012 and its highest level of 3.9% in 2016. In other words, forecasts indicate that the Bahraini economy will witness some recovery after encumbering its share of the implications of the economic and political crisis, and the performance indicators will continue to be mixed, swinging between positive and negative in 2012, and then all would turn to the positive trend until 2016.

Performance indicator of the local real estate market

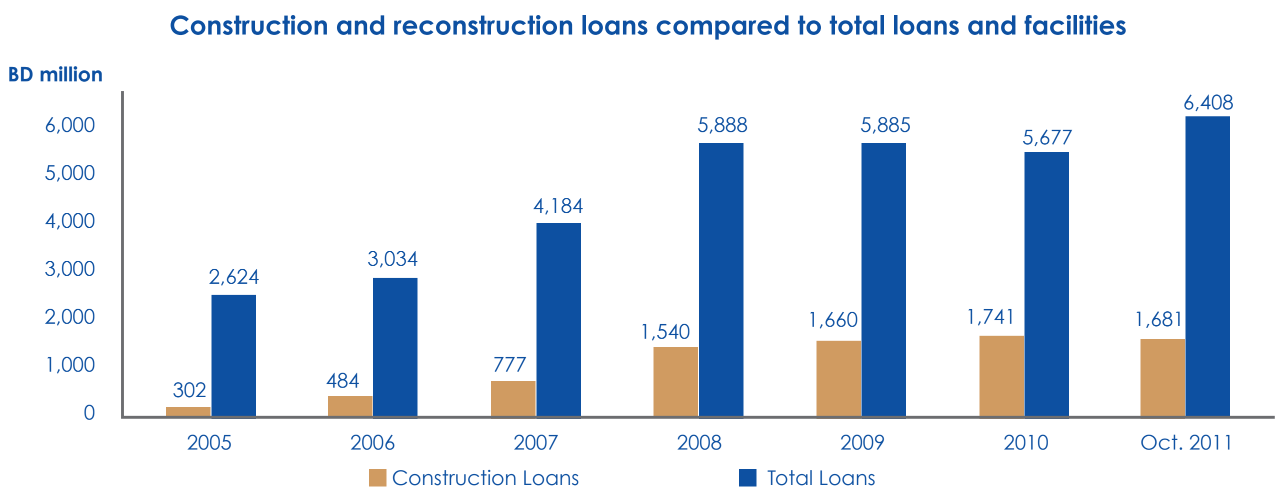
The Central Bank of Bahrain's data indicates that the real estate activities and business services sector's contribution to GDP has increased gradually over the years 2001 - 2011, at a CAGR of around 5.9%, reaching BD 503.6 million in 2011[1], compared to BD 285.3 million in 2001. This coincided with the GDP achieving a CAGR of about 13.2% during the same period, reaching about BD 9,313 million in 2011[1], compared to BD 2.696 million in 2001. The contribution of the real estate activities and business services sector to GDP was 5.4% in 2011 compared to 6.4% in 2010 and about 10.6% in 2001. The non-oil sectors achieved a compound annual growth rate of 12.9% (70.8% of GDP in 2011)[1] , compared to an average compound growth of around 14%[1] for the oil sector during the same period (29.2% of GDP in 2011).

Development of GDP (2001-2011)



[1] Data available up to June 2011 (on annualized basis) Central Bank of Bahrain.

The construction and reconstruction loans, according to the data available up to October of 2011, totaled about BD 1.68 billion or about 26.2% of the total loans that accumulated to about of BD 6.4 billion, down by about 3.4% compared to its level as at the end of 2010 of about BD 1.74 billion, equivalent to 30.7 % of total loans for the same year.



[2] Data up to October 2011: Central Bank of Bahrain.

The construction permits during the first six months of 2011 recorded about 4.6 thousand licenses or 9.1 thousand licenses (calculated on an annualized basis). This represents a decline of about 7.3% compared to 2010 when the number reached 9.9 thousand licenses.

Comparison and distribution of total construction licenses'

Construction licenses	%of total	2007	%of total	2008	%of total	2009	% of total	2010	%of total	2011
Additions	45.7%	4,854	46.0%	5,156	55.5%	5693	54.4%	5,365	52.6%	4,802
Demolitions	6.8%	727	9.0%	1,004	6.3%	642	7.9%	774	8.2%	750
Demolitions and building	3.9%	412	1.0%	117	0.6%	64	0.7%	67	0.5%	50
New building	35.5%	3,772	32.8%	3,675	28.1%	2,880	27.7%	2,733	28.8%	2,634
Backfilling	0.2%	26	0.3%	34	0.1%	8	0.1%	12	0.0%	4
Restoration	7.9%	835	10.9%	1,217	9.4%	966	9.2%	904	9.8%	894
Total licenses	100%	10,626	100%	11,203	100%	10,253	100%	9,855	100%	9,134

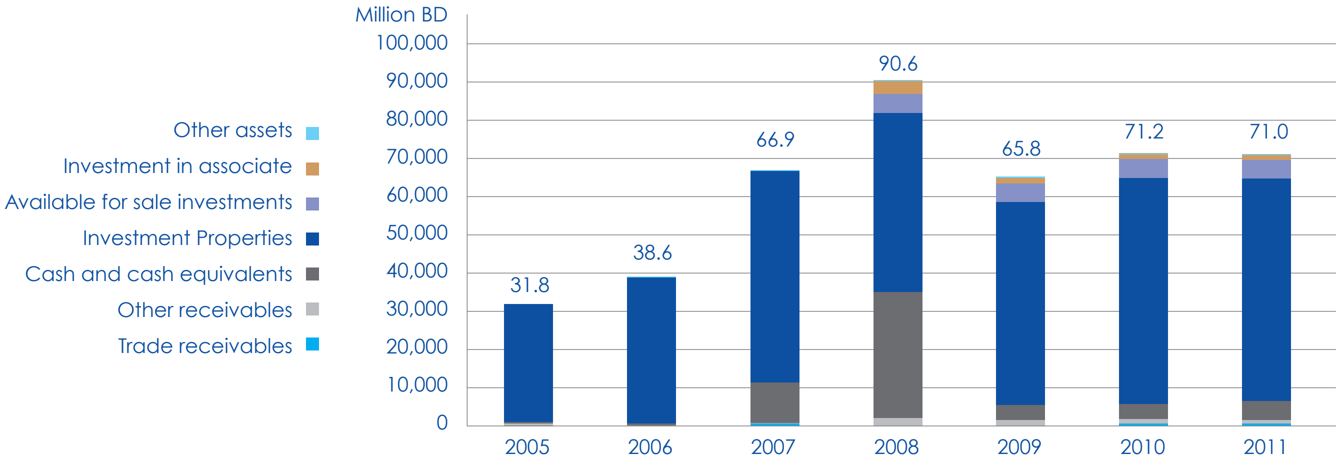
The number of new licenses amounted to about 1.3 thousand licenses or about 2.6 thousand licenses on an annualized basis, compared to 2.7 thousand licenses in 2010 down by about 3.4%. However, this comparison needs to be adjusted when the actual figures are published in 2011.

Financial Performance

First: The Financial Position

First Real Estate Co. managed to maintain the value of its assets in 2011 at BD 71mn (BD 71.2mn in 2010). No considerable changes have been seen in its balance sheet with the real estate investments item still accounting for the largest part of assets in 2011 marking about BD 58.5mn or 82.4% of the company's total assets (83.6% of total assets in 2010), down by about BD 1mn compared to 2010. The company also maintained its investments available for sale in 2011 at about BD 4.9mn or 6.9% of total assets. It is worth noting that all these investments were real estate investments and investments in companies. It has managed to increase its cash and cash equivalents from about BD 3.9mn at the end of 2010 to about BD 5.1mn in 2011 in order to maintain a sufficient liquidity level to meet the working capital requirements and debt servicing.

Development of First Real Estate Co.'s assets during 2005-2011



Assets to total	2005	2006	2007	2008	2009	2010	2011
Rental receivables	%0.37	%0.32	%0.25	%0.12	%0.04	%0.40	%0.55
Deposits and other receivables	%0.15	-	%0.56	%1.94	%1.91	%1.75	%1.19
Bank deposits	%1.63	%0.47	%15.63	%36.56	%5.98	%5.50	%7.15
Real estate investments	%97.85	%99.13	%83.52	%51.91	%82.27	%83.59	%82.37
Investments available for sale	-	-	-	%5.45	%7.60	%6.94	%6.95
Investments in affiliates	-	-	-	%3.97	%2.13	%1.77	%1.77
Other assets	-	-	%0.04	%0.05	%0.06	%0.05	%0.04
Total assets	%100	%100	%100	%100	%100	%100	%100

Total liabilities amounted to about BD 19.3mn in 2011 which is below its 2010 level of around BD 19.7mn. There was no change in the Contractual Funding which amounted to about BD 18mn between 2008 and 2011. Total shareholders' equity also rose by about BD 0.65mn to about BD 46.4mn in 2011, as a result of the increase in carried profits by about BD 0.58mn, amounting to about BD 6.0mn in 2011 from BD 5.4mn in 2010. This brought the book value of the company's share to about 139 fils in 2011 (137 Bahraini fils in 2010).

Second: The Financial Performance

As at the end of 2011, the company realized revenues of about BD 3.2mn compared to about BD 2.5mn in 2010, up by about BD 0.77mn or 31.4%. This rise in total revenues was the result of growth in rental income by about BD 0.79mn to about BD 3.1mn in 2011, accounting for about 97.1% of total revenues (95.4% of total revenues in 2010). This increase resulted from operating a residential building that had been developed and fully leased by the end of 2010.

Expenses in 2011 amounted to about BD 3.0mn, up by about 36.5% compared to about BD 2.2mn in 2010. This increase in expenses was due to the decrease in the fair value of real estate investments by about BD 0.63mn, which amounted to about BD 1.2mn and are considered unrealized losses. The real estate expenses increased by about BD 0.21mn to about BD 0.76mn in 2011 compared to BD 0.55mn in 2010 after operating the new residential building. The funding expenses increased by about BD 0.06mn to about BD 0.91mn in 2011 compared to BD 0.85mn in 2010.

Accordingly, net profits attributable to the parent company's shareholders amounted to about BD 0.65mn in 2011 up by about BD 0.25mn or about 75.8% compared to about BD 0.37mn in 2010. The earnings per share increased to about 1.9 Bahraini fils in 2011 compared to 1.1 Bahraini fils in 2010. Profitability indicators, including return on assets and return on equity are still far away from the levels realized by the company in the years 2006-2008.

The following table summarizes some financial indicators for the period (2005 to 2011)

Indicators	2005	2006	2007	2008	2009	2010	2011
EPS - Fils	10.8	26.4	28.8	77.4	0.5	1.1	1.9
BV- Fils	101.9	128.1	149.7	210.4	135.9	137.0	139.0
ROE	10.6%	20.6%	19.3%	36.8%	0.4%	0.8%	1.4%
ROA	10.1%	20.5%	13.7%	28.5%	0.3%	0.3%	0.3%
ROC	10.8%	26.4%	28.8%	77.4%	0.5%	1.1%	1.9%

FINANCIAL STATEMENT

FIRST REAL ESTATE COMPANY B.S.C. (CLOSED)

Report Of The Board Of Directors And
Consolidated Financial Statements
31 December 2011

The Board of Directors has the pleasure in submitting its report and the audited consolidated financial statements for the year ended 31 December 2011.

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 226,926 during the year ended 31 December 2011 (2010: BD 226,153) of which a profit of BD 649,059 is attributable to the equity holders of the parent (2010: BD 369,187) and a loss of BD 422,133 is attributable to the non-controlling interests (2010: a loss of BD 143,034).

Movement in retained earnings:

	2011	2010
	BD	BD
Balance as of 1 January	**5,434,657**	5,102,389
Profit for the year	**226,926**	226,153
Transfer to statutory reserve	**(64,906)**	(36,919)
Non controlling interest	**422,133**	143,034
Balance as of 31 December	**6,018,810**	5,434,657

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 2012, will be submitted to the Annual General Meeting.

Signed on behalf of the Board

Chairman
25 Arpril 2012

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 2011 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.

Board of Director's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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' judgement, 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and

b) the financial information contained in the report of the Board of Directors is consistent with the financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association during the year ended 31 December 2011 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ernst + Young

25 April 2012
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Note	2011 BD	2010 BD
Assets			
Non-current assets			
Furniture, equipment and vehicles	7	**26,424**	38,786
Investment properties	8	**58,492,142**	59,519,911
Investments in associates	9	**1,253,630**	1,257,430
Available for sale investments	10	**4,932,154**	4,939,942
		64,704,350	65,756,069
Current assets			
Trade and other receivables	11	**1,234,907**	1,535,462
Cash and cash equivalents	12	**5,075,950**	3,915,553
		6,310,857	5,451,015
TOTAL ASSETS		**71,015,207**	71,207,084
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**33,390,000**	33,390,000
Share premium	14	**27,241**	27,241
Statutory reserve	15	**4,814,836**	4,749,930
General reserve		**2,155,826**	2,155,826
Foreign currency translation reserve	16	**(2,630)**	(2,491)
Retained earnings		**6,018,810**	5,434,657
Equity attributable to the equity holders of the parent		**46,404,083**	45,755,163
Non-controlling interests		**5,354,900**	5,715,773
Total equity		**51,758,983**	51,470,936
Non-current liabilities			
Wakala finance	17	**2,500,000**	5,000,000
Advances from tenants	18	**502,200**	725,400
		3,002,200	5,725,400
Current liabilities			
Wakala finance	17	**15,499,221**	12,999,221
Trade and other payables	19	**359,914**	532,427
Advances from tenants	18	**394,889**	479,100
		16,254,024	14,010,748
Total liabilities		**19,256,224**	19,736,148
TOTAL EQUITY AND LIABILITIES		**71,015,207**	71,207,084

Mohammad Al Farhan
Chairman

Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2011

	Notes	2011 BD	2010 BD
INCOME			
Rental revenue		**3,140,109**	2,347,406
Murabaha income		**64,431**	66,203
Wakala income		**32**	26
Other income		**28,377**	47,400
		3,232,949	2,461,035
EXPENSES AND OTHER CHARGES			
Finance charges	17	**913,043**	853,127
Property expenses		**761,941**	548,966
Change in fair values of investment properties	8	**1,159,287**	525,999
Share of loss of associates	9	**3,661**	131,431
Administrative expenses		**50,698**	61,642
Staff costs		**92,362**	88,169
Consultancy and professional fees		**12,402**	13,126
Depreciation	7	**12,629**	12,422
		3,006,023	2,234,882
PROFIT FOR THE YEAR		**226,926**	226,153
OTHER COMPREHENSIVE (LOSS)/INCOME			
Foreign currency translation		**(139)**	1,962
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**226,787**	228,115
Profit (loss) attributable to:			
Equity holders of the parent		**649,059**	369,187
Non-controlling interests		**(422,133)**	(143,034)
		226,926	226,153

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2011

	Notes	2011 BD	2010 BD
OPERATING ACTIVITIES			
Profit for the year		**226,926**	226,153
Adjustments for :			
Depreciation	7	**12,629**	12,422
Change in fair values of investment properties	8	**1,159,287**	525,999
Share of loss of associates	9	**3,661**	131,431
Finance costs	17	**913,043**	853,127
Murabaha and wakala income		**(64,463)**	(66,229)
Operating profit before working capital changes		**2,251,083**	1,682,903
Working capital changes:			
Trade and other receivables		**295,111**	(264,737)
Trade and other payables		**(275,840)**	(212,505)
Advances from tenants		**(307,411)**	447,733
Net cash from operating activities		**1,962,943**	1,653,394
INVESTING ACTIVITIES			
Purchase of furniture, equipment and vehicles	7	**(267)**	(9,725)
Murabaha and wakala income received		**65,408**	63,391
Additions to investment properties	8	**(65,759)**	(828,604)
Refund of available for sale investments		**7,788**	-
Net cash generated from (used in) investing activities		**7,170**	(774,938)
FINANCING ACTIVITY			
Finance costs paid		**(809,716)**	(853,127)
INCREASE IN CASH AND CASH EQUIVALENTS		**1,160,397**	25,329
Cash and cash equivalents at the beginning of the year		**3,915,553**	3,890,224
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**5,075,950**	3,915,553

Non cash items:

1) Trade and other payables include the effect of unpaid wakala finance costs for the year amounting to BD 148,327 (31 December 2010 : BD 45,000).

2) Trade and other receivables include the effect of accrued profit not yet received on short term deposits for the year amounting to BD 4,320 (31 December 2010 : BD 5,265).

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2011

		Attributable to equity holders of the parent									
	Notes	Share capital BD	Share premium BD	Statutory reserve BD	General reserve BD	Foreign currency translation reserve BD	Retained earnings BD	Proposed appropriations BD	Total BD	Non-controlling interests BD	Total equity BD
Balance at 1 January 2011		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
Profit / (loss) for the year		-	-	-	-	-	649,059	-	649,059	(422,133)	226,926
Other comprehensive loss		-	-	-	-	(139)	-	-	(139)	-	(139)
Total comprehensive income (loss)		-	-	-	-	(139)	649,059	-	648,920	(422,133)	226,787
Contribution by non-controlling interests *		-	-	-	-	-	-	-	-	61,260	61,260
Transfer to statutory reserve	15	-	-	64,906	-	-	(64,906)	-	-	-	-
Balance at 31 December 2011		**33,390,000**	**27,241**	**4,814,836**	**2,155,826**	**(2,630)**	**6,018,810**	**-**	**46,404,083**	**5,354,900**	**51,758,983**
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**

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

The attached notes 1 to 22 form part of these consolidated financial statements

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 2011:

Company Name	Percentage shareholding	Country of incorporation	Year of incorporation	Industry
Subsidiary:				
Al Yal Real Estate Company W.L.L.	50%	Kingdom of Bahrain	2008	Real Estate

First Real Estate Company has the power to govern the financial and operating policies of Al Yal Real Estate Company W.L.L. and thus the later is deemed as a subsidiary of First Real Estate Company B.S.C. (closed).

Company Name	Percentage shareholding	Country of incorporation	Year of incorporation	Industry
Associates:				
Al-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 25 April 2012.

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.

2- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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.

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 2011.

- IAS 24 Related Party Disclosures (Amendment) effective for annual periods beginning on or after 1 January 2011;

- IAS 32 Financial Instruments: Presentation (Amendment) effective for annual periods beginning on or after 1 January 2011;

- IFRS 7 financial Instruments: Disclosures (Amendment) effective for annual periods beginning on or after 1 January 2011;

- Improvements to IFRSs (issued in May 2010) effective for annual periods on or after either 1 July 2010 or 1 January 2011.

3- Changes in accounting policies (continued)

Changes in accounting policy and disclosure (continued)

IAS 24 Related Party Disclosures (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasize a symmetrical view on related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial statements of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 31 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given prorate to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group as the Company has not issued these types of instruments.

IFRS 7 Financial Instruments: Disclosures (amendment)

These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendment has had no effect on the disclosures made by the Group as the Group has not issued these types of instruments.

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation must be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- IFRS 7 Financial Instruments – Disclosures: An amendment was introduced to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. Other amendments added an explicit statement that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements.

3- Changes in accounting policies (continued)

Changes in accounting policy and disclosure (continued)

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

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IRS 3 (as revised in 2008);
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment award);
- IAS 27 Consolidated and Separate Financial Statements;
- IAS 34 Interim Financial Statements; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Furniture, equipment and vehicles

Furniture, equipment 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 the assets as follows:

Furniture	7 years
Computers	4 years
Vehicles	7 years

The carrying values of furniture, equipment 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 properties comprise completed properties and properties under construction or re-development held to earn rentals or for capital appreciation or both. Properties held under a lease is classified under investment properties when the definition of an investment properties is met. The lease obligation is recognised under IAS 17 at fair value of the interest in the leasehold property.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (continued)

An 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, an 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:

- 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 recognised in the statement of financial position as a finance lease obligations.

An investment property is derecognised 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 properties is recognised in the statement of comprehensive income in the year of retirement or disposal.

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

Transfers are made to or from investment properties 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 properties 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (continued)

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.

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 paid 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 an 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, profit bearing loans and borrowings are subsequently measured at amortised cost using the effective profit 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.

Profit is charged to the statement of comprehensive income as it accrues. Accrued profit 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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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 must be 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.

Profit income

Profit income is recognised as it accrues using the effective profit rate method.

Sale of completed properties

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 profit 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 measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

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 differences in the amounts actually realised in future periods and the carrying values will be recognised in the consolidated statement of comprehensive income.

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 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.

At the statement of financial position date, gross trade receivables were BD 388,555 (2010: BD 285,922) and provision for doubtful debts was nil in 2011 and 2010.

6- STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards (where applicable) when they become effective:

The amendments becomes effective for annual periods beginning on or after 1 July 2012 and require that an entity present separately, the items of other comprehensive income that would be reclassified (or recycled) to profit or loss in the future if certain conditions are met (for example, upon derecognition or settlement), from those that would never be reclassified to profit or loss. The amendment affects presentation only, therefore, will have no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19, which are effective for annual periods beginning on or after 1 January 2013. These include the elimination of the corridor approach and recognising all actuarial gains and losses in other comprehensive income as they occur; immediate recognition of all past service costs; and replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and certain clarifications and re-wording. The Group is currently assessing the full impact of these amendments.

IAS 27 Separate Financial Statements (as revised in 2011)
IAS 27 (2011) supersedes IAS 27 (2008). As a consequence of the new IFRS 10 and IFRS 12 aforementioned, IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 27 (2011) is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company does not present separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
IAS 28 (2011) supersedes IAS 28 (2008). As a consequence of the new IFRS 11 and IFRS 12 (refer above), IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 28 (2011) is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this revised standard.

IFRS 10 Consolidated Financial Statements
IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns."

Control is re-assessed as facts and circumstances change.

6- STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

IFRS 11 Joint Arrangements
IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements.

IFRS 11 classifies joint arrangements into two types – joint operations and joint ventures; and defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and retitled IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

IFRS 12 aims to provide information to enable users to evaluate:

• The nature of, and risks associated with, an entity's interests in other entities; and
• The effect of those interests on the entity's financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

IFRS 13 Fair Value Measurement
IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

7- FURNITURE, EQUIPMENT AND VEHICLES

	Furniture	Equipment	Vehicles	Total
	BD	BD	BD	BD
Cost:				
At 1 January 2011	33,914	27,305	17,730	78,949
Additions	-	267	-	267
At 31 December 2011	33,914	27,572	17,730	79,216
Depreciation:				
At 1 January 2011	19,398	16,969	3,796	40,163
Provided during the year	4,979	4,998	2,652	12,629
At 31 December 2011	24,377	21,967	6,448	52,792
Net carrying amount:				
At 31 December 2011	**9,537**	**5,605**	**11,282**	**26,424**

	Furniture	Equipment	Vehicles	Total
	BD	BD	BD	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

8- INVESTMENT PROPERTIES

	2011 BD	2010 BD
Opening balance as at 1 January	**59,519,911**	53,484,084
Contributed by non controlling interest	**65,759**	5,733,222
Additions during the year	**65,759**	828,604
	59,651,429	60,045,910
Net loss in fair value adjustment	**(1,159,287)**	(525,999)
	58,492,142	59,519,911

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

*In 2010 the 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 nil (2010: BD 62,500) as a result of financing certain investment properties under development through Wakala Finance facilities. (note 17).

Investment properties include one parcel of land 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:

	2011 BD	2010 BD
As at 1 January	**1,257,430**	1,386,899
Share of loss of associates	**(3,661)**	(131,431)
Foreign currency exchange (loss) gain	**(139)**	1,962
	1,253,630	1,257,430

9- INVESTMENTS IN ASSOCIATES (Continued)

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

	Sanbook 2011 BD	Asdaf 2011 BD	Total 2011 BD
Ownership	**25%**	**50%**	
Current assets	**121,012**	**13,080**	**134,092**
Non current assets	**1,302,243**	**-**	**1,302,243**
Total assets	**1,423,255**	**13,080**	**1,436,335**
Current liabilities	**180,837**	**1,868**	**182,705**
Total liabilities	**180,837**	**1,868**	**182,705**
Net assets	**1,242,418**	**11,212**	**1,253,630**
Revenues	**207**	**2,197**	**2,404**
Expenses	**(3,487)**	**(2,578)**	**(6,065)**
Loss	**(3,280)**	**(381)**	**(3,661)**
Foreign currency exchange loss	**(136)**	**(3)**	**(139)**

	Sanbook 2010 BD	Asdaf 2010 BD	Total 2010 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
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) profit	(131,625)	194	(131,431)
Foreign currency exchange gain	1,947	14	1,962

9- INVESTMENTS IN ASSOCIATES (Continued)

In 2008 the Group acquired a 25% interest in Al-Sanbook R.E. Co. ("Sanbook"). Sanbook was incorporated in May 2006 and is 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 2011.

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

	2011 **BD**	2010 BD
Available for sale investments - unquoted equity shares	**4,932,154**	4,939,942

The unquoted investments are carried at cost, as fair value cannot be reliably determined due to the unpredictable nature of future cash flows. The decrease in the balance during the year amounting to BD 7,788 (2010: nil) was due to 20% capital refund on investment in Madaen Al Luzi Co. Ltd.

11- TRADE AND OTHER RECEIVABLES

	2011 **BD**	2010 BD
Trade receivables	**388,555**	285,922
Amounts due from related parties	**439,723**	561,618
Amount due from associates	**272,052**	532,946
Amount due from non-controlling interests	**118,931**	119,331
Advances to contractors	**-**	10,139
Other receivables	**2,700**	9,170
Prepaid expenses	**6,631**	9,076
Interest receivable - short term deposits	**4,320**	5,265
Security deposit	**1,995**	1,995
	1,234,907	1,535,462

Trade receivables are non-interest bearing and are normally settled on cash basis.

Amounts due from related parties represents commissions and other expenses paid by the Group on behalf of the shareholder of BD 439,723 (2010: BD 413,592) in addition to trade receivables amounting to BD nil (2010: 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.

11- TRADE AND OTHER RECEIVABLES (Continued)

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

Trade receivables are due 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:

	2011	2010
	BD	BD
At 1 January	**-**	228,642
Charge for the year	**-**	-
Amounts written off	**-**	(228,642)
At 31 December	**-**	-

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			30 – 60 days	60 – 90 days	90 – 120 days	>120 days
	BD	BD	BD	BD	BD	BD
2011	**388,555**	**56,678**	**331,877**	**-**	**-**	**-**
2010	285,922	165,622	120,300	-	-	-

12- CASH AND CASH EQUIVALENTS

	2011	2010
	BD	BD
Cash on hand	**295**	295
Cash at banks	**1,198,893**	621,899
Murabaha term deposits*	**3,876,762**	3,293,359
	5,075,950	3,915,553

*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 2.3% to 2.8% (2010: 2% to 2.60%) and a maturity of not more than three months.

13 SHARE CAPITAL

	2011 BD	2010 BD
Authorised: 333,900,000 (2010: 333,900,000) ordinary shares of 100 Fils (2010: 100 Fils) each	**33,390,000**	33,390,000
Issued, subscribed and paid up	**33,900,000**	33,390,000

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.

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 associates.

17- WAKALA FINANCE

	2011 BD	2010 BD
Wakala finance 1	**12,999,221**	12,999,221
Wakala finance 2	**5,000,000**	5,000,000
	17,999,221	17,999,221
Less: current portion	**(15,499,221)**	(12,999,221)
Non-current portion	**2,500,000**	5,000,000

Wakala finance 1

The finance arrangement is unsecured, carries a profit rate of Bibor plus 1.25% and is repayable in one lump sum payment on 1 November 2011. The amount was not paid and the Group is currently in the process of negotiating the terms with the bank. Profit is paid on a quarterly basis and is expensed to the consolidated statement of comprehensive income. Accrued profit of BD 110,132 (2010: BD 5,417) 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 11,462,511. The amount is repayable in two instalments falling due in 2012 and 2015 and has a profit rate of Bibor plus 1.25%. The profit is paid on a half yearly basis and has been capitalised within investment properties till the completion of the project. Accrued profit of BD 38,194 (2010: BD 39,583) is included in trade and other payables.

17- WAKALA FINANCE (CONTINUED)

Wakala finance 2 (continued)

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

	2011	2010
	BD	BD
Wakala finance 1	**658,989**	660,794
Wakala finance 2	**253,472**	190,972
Bank charges	**582**	1,361
	913,043	853,127

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

	2011	2010
	BD	BD
Wakala finance 2	**-**	62,500

18- ADVANCES FROM TENANTS

	2011	2010
	BD	BD
Long term advances *	**725,400**	948,600
Other advances	**171,689**	255,900
	897,089	1,204,500
Less: current portion	**(394,889)**	(479,100)
Non current portion	**502,200**	725,400

* In October 2009, the company entered into a 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 in April 2010. The final instalment of BD 548,000 was received from the customer in 2010.

19- TRADE AND OTHER PAYABLES

	2011 BD	2010 BD
Trade payables	**382**	31,343
Retention money payable	**-**	328,020
Current account with property manager	**157,423**	66,792
Accrued finance costs	**148,327**	45,000
Accrued expenses	**19,278**	49,152
Amounts due to related parties	**34,504**	12,120
	359,914	532,427

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 nil (2010: BD 10,000) due to the Board of Directors for their remuneration and BD 34,504 (2010: BD 2,120) due to a shareholder of the Group. The amounts are non-interest bearing and payable on demand.

20- RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

- Total building expenses paid to a company related to a shareholder were BD 510,697 (2010: BD 385,923).

- The Group has not made any advance payments to a shareholder of the Group for construction expenditure (2010: BD nil). The advance amount not yet utilised by the Group as of 31 December 2011 is nil (2010: BD 10,139). Total payments made to the shareholder for the construction of an investment property for 2011 was nil (2010: BD 558,405).

- A company related to a shareholder acts as the property manager for certain investment properties of the Group. During the year ended 31 December 2011, the Group incurred property expenses of BD 510,697 (2010: BD 425,135) 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 2011, the Group incurred property expenses of BD 207,527 (2010: BD 123,831) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.

20- RELATED PARTY TRANSACTIONS (continued)

Balances receivable from related parties included in the statement of financial position are as follows:

	2011	2010
	BD	BD
Amounts due from related parties	**439,723**	561,618
Amounts due from associates	**272,052**	532,946
Amounts due from non-controlling interests	**118,931**	119,331
	830,706	1,213,895

Balances payable to related parties included in the statement of financial position amounted to BD 34,504 (2010: BD 12,120)

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 2011, the Group has not recorded any impairment of amounts owed by related parties. (2010: nil).

Compensation of key management personnel
There was no remuneration paid to the directors and members of key management during the year (2010: nil)

21- 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 profit 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 profit rate risk and currency risk.

Profit rate risk
The profit rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the market profit rates. The Group is subject to profit rate risk on its floating profit bearing Wakala Finance and its murabaha deposit. The sensitivity of the statement of income is the effect of the assumed changes in profit rates, with all other variables held constant, on the Group's profit for one year, based on the floating rate financial assets and liabilities held at 31 December 2011.

21- RISK MANAGEMENT (CONTINUED)

Profit rate risk (continued)

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

	Increase/ decrease in basis points	Effect on profit for the year BD
Finance costs		
2011		
	+10	**(17,999)**
	-10	**17,999**
2010		
	+10	(17,999)
	-10	17,999
Murabaha income		
2011		
	+10	**3,876**
	-10	**(3,876)**
2010		
	+10	3,293
	-10	(3,293)

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 Arab Emirates Dirhams which are all pegged to the United States Dollar, hence is not exposed to a significant currency risk.

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.

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

21- RISK MANAGEMENT (CONTINUED)

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, based on contractual payment dates and current market's interest rates.

Year ended 31 December 2011	**Less than 3 months BD**	**3 to 12 months BD**	**1 to 5 years BD**	**More than 5 years BD**	**Total BD**
Wakala finance	**12,999,221**	**2,656,250**	**2,781,250**	**-**	**18,436,721**
Trade payables	**382**	**-**	**-**	**-**	**382**
Current account with property manager	**157,423**	**-**	**-**	**-**	**157,423**
Amounts due to related parties	**34,504**	**-**	**-**	**-**	**34,504**
Total	**13,191,530**	**2,656,250**	**2,781,250**	**-**	**18,629,030**

Year ended 31 December 2010	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total 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

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 2011 and 31 December 2010. Capital comprises equity of the Group and is measured at BD 46,404,083 at 31 December 2011 (31 December 2010: BD 45,755,163).

22- 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 and wakala finance.

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

As at 31 December 2011 and 31 December 2010, the Group did not hold any financial instrument remeasured at fair value, therefore, fair value hierarchy disclosures are not relevant.