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

ANNUAL REPORT 2014

ANNUAL REPORT

FIRST Real Estate Co. B.S.C.

Acquisition • Development • Management

2014

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His Majesty
King Hamad Bin Isa Al Khalifa
King of Bahrain

His Highness
Shaikh Khalifa Bin Salman Al Khalifa
Prime Minister of Bahrain

His Highness
Shaikh Salman Bin Hamad Al Khalifa
Crown Prince - Commander-in-Chief
of 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

Mohamed Abdul-Hameed Al-Marzook
Board Member

Gerard Snabian
Board Member

Ahmad Saoud Al Sumait
Board Member

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CHAIRMAN'S MESSAGE

Dear First Real Estate Company Shareholders

Honorable shareholders of First Real Estate Company,

May peace and Allah's mercy and blessings be upon you,

It gives me and the members of your board of director's great pleasure to welcome you and present to you the annual report of the results of First Real Estate Company for the financial year ended 31 December 2014.

2014 was another year in which your company continued its ongoing efforts to develop its asset base while maintaining its performance gains it had achieved during the previous years. A prominent feature this year was the high occupancy rates achieved by our real estate projects, with a remarkable income at a higher market value than that achieved by peer companies.

The company boosted its strategy objective of building up its income generating assets, the company overcame all obstacles and succeeded in leasing all its projects at competitive rates. In doing so, the Board of Directors implemented a flexible policy and followed a clearly outlined methodology for its investment operations.

With regards to achievements, the company succeeded at making a number of remarkable contributions with the completion of two projects that generate high revenues, and were added to the base of income generating assets. The first project, a 50% partnership with an associate company, is Alyal Residence Tower, which consists of 130 fully-furnished apartments of various designs, situated a few meters away from City Center, with a unique view of the sea. The second project is two warehouses, in addition to the existing warehouse, built on the Company's land No. G26 (in the Bahrain Investment Wharf) with a total area of 26,082 square meters. The three warehouses were leased at competitive rates in a record time and are now fully occupied.

Financially speaking, total assets amounted to 76.6 million Bahraini Dinars at the end of 2014 compared to 68 million Bahraini Dinars at the of 2013, recording an increase of 8.6 million Bahraini Dinars while shareholders equity raised to 48 million Bahraini Dinars at the end of 2014 compared to 47 million Bahraini Dinars at the end of 2013, with an increase of about 1 million Bahraini Dinars.

The Company surpassed the level of its revenues at 3.2 million Bahraini Dinars during 2014 compared to 2.9 million Bahraini Dinars in 2013, with an increase of 300k Bahraini Dinars, while expenses decreased by 400k Bahraini Dinars to 2.2 million Bahraini Dinars in 2014 compared to 2.6 million Bahraini Dinars for 2013. The decrease resulted from provisioning in respect of several assets in 2013. As a result, the profit for the parent company increased by 500k Bahraini Dinars to 729k Bahraini Dinars in 2014 from 266k Bahraini Dinars in 2013.

Within the framework of the Company's policy and its commitment to develop its assets and increase its income generating assets, the Company is currently preparing to execute its largest project ever in partnership with an associate company. The project comprises of two residential towers, one of which is designated for sale and the other for leasing, to be developed on a land with an area of 6,530 square meters. The Company continues to explore and seek to identify promising investment opportunities that would increase its asset value and bolster its sources of income simultaneously with its efforts to complete current projects.

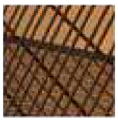
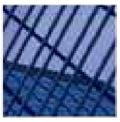
In conclusion, I would like, on behalf of myself and my colleagues on the board of directors, to express my deepest thanks and gratitude to our honorable shareholders for their continuous support and confidence. I seize this opportunity to express our thanks for and appreciation of the valuable efforts of our employees and the teams in charge of the Company's projects, for their tremendous efforts, dedication, and contribution to achieving the Company's objectives and enabling First Real Estate Company to maintain its leading position.

May peace and Allah's mercy and blessings be upon you.

Thank you,

Kindest Regards

Mohammad Ibrahim Al-Farhan
Chairman of the Board

INTRODUCTION

Introduction

First Real Estate Company was founded and structured 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 the previous years 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 to strive 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 Company's 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
- Have 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 to 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

Company's Projects

The Company aims to achieve added value against a minimum risk profile, so as to provide maximum protection for the investors' and shareholders'. The company sustains its value despite the fluctuations in the local market.

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

I. Income Generating Properties

Kingdom of Bahrain

Juffair Compound 1

The compound 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 project is fully leased.

Juffair Compound 2

The compound is 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, and the project is fully leased.

(G28) Warehouse at the Bahrain Investment Wharf - Al Hidd Area

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 important income producing projects.

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 land area of 2,160 square meters and a total up area of 22,670 square meters. The project consists of 27 floors containing 104 luxurious fully furnished apartments. The facilities and services provided include indoor and outdoor swimming pools, gymnasium, housekeeping, and 24 hours security, and the project is fully leased.

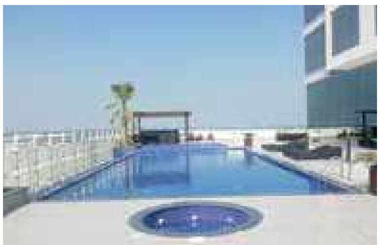
(G26) Bahrain Investment Wharf Warehouses - Al Hidd Area

The company owns this strategically located land with an area of 58,222 square meters within Bahrain Investment Wharf project. A decision was made to develop this land into warehouses that boasts different sizes to accommodate the market's needs. The first warehouse was completed in March 2013, has a total built up area of 8,700 square meters, and is fully leased.

The company then developed two additional warehouses with a total built up area of 17,400 square meters (completed in September 2014) and successfully leased the entire offered space at competitive prices. The completed project now consists of a total 3 warehouses with a total built up area of 26,000 square meters.

Al Yal Residence Tower - Al Seef District

In equal partnership with a specialized real estate company, First Real Estate Co. had developed one plot of Al Seef Land, covering an area of 1,553 square meters, into a luxurious residential tower of 25 floors and a total built up area of 19,178 square meterss. The project comprises of 130 fully furnished residential units plus a restaurant, gym, children play area and a swimming pool. The tower overlooks the sea and is situated, in one of the most strategic locations in Al Seef area, just a few meters from City Center and Al Seef Mall. The project was completed in August 2014.



United Arab of Emirates

Labour Accommodation at Muhaisnah Area – Dubai

In alliance with Injazzat Real Estate Development Company. The Company acquired a labour accommodation building in Muhaisnah area with a total area of 5,287 square meters. The building comprises of two floors containing a total of 399 rooms which were refurbished in 2010. The project is fully leased.

II. Land Trading and Development

Kingdom of Bahrain

Al Yal Residential Project

First Real Estate along with an associate company, intends to start the development on the company's largest project. The project comprises of two residential towers along with a commercial space that lies between the towers. The project is to be built on a plot that measures 6,530 square meters, and the company intends to sell units in one tower, while furnishing the other and leasing it out on a long term leases.

Al Seef Land - Al Seef District

The Company, in equal partnership with Dhow Real Estate Company, acquired ownership 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 price appreciation 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. Meanwhile, the Company decided to keep the remaining eight plots for development or trading purposes.

Hidd Industrial Land - Hidd Area

The Company acquired a plot of land in Al Hidd Industrial area covering a total area of 73,000 square feet, and the Company intends to sell the land.

Marsa Al-Seef - Seef Area

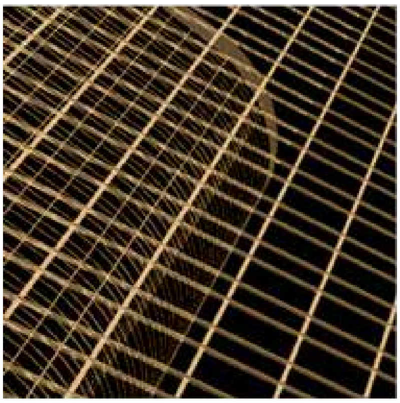
The Company acquired equity shares in Marsa Al Seef Investment Company Limited which was established in 2008 with a paid up capital of US$ 531,000,000. The company is owned by Global Banking Corporation B.S.C., Bahrain. The reclamation work of phase one of the project is complete. Marsa Al Seef Investment Company are exploring suitable exit scenarios.

United Arab Emirates

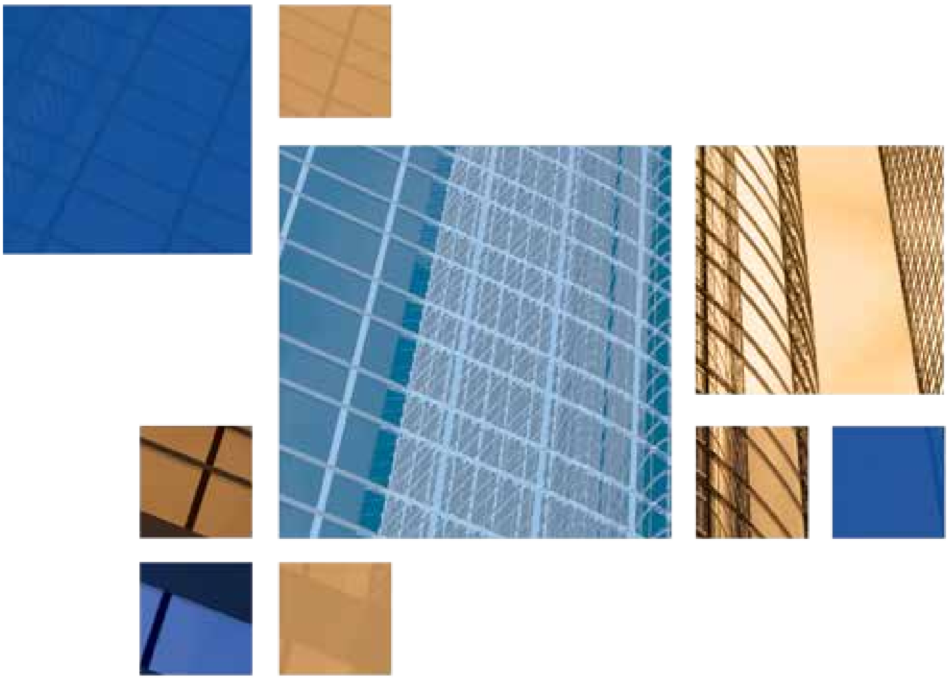
Land in Jebal Ali - Dubai

As part of the Company's strategy to expand its projects at the regional level, the Company acquired through its 25% share in Al Sanbouk Real Estate L.L.C., two plots of land with a total area of 41,980 square feet in Jebal Ali, Dubai. Along with the other shareholders, the company is currently working on obtaining the necessary permits to develop labour accommodations project.

BAHRAIN



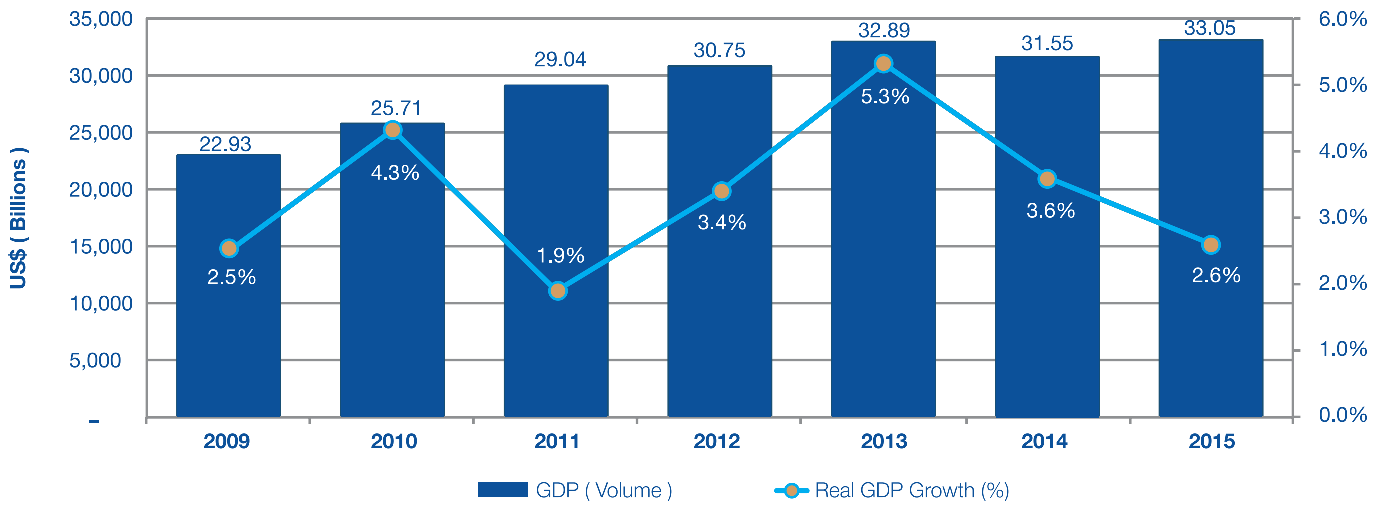
Real Estate & Economic Market Overview



Performance of the Local Economy

Bahrain's economy suffered two major setbacks during the past six years. The first setback started with the global financial crisis in the fall of 2008. However it was one of the few regional economies that managed to maintain its growth rate, for 2009, often referred to as the year that witnessed the consequences of the financial crisis, Gross domestic product (GDP) grew by about 2.5%, followed by a growth of 4.3% in 2010. We can safely say that the economy weathered that crisis with minimal cost. Next came the events of the Arab Spring and Bahrain had its share of complications. from that situation. Growth suffered but did not get anywhere close to deflation, as GDP grew at 1.9% during 2011, managing to stay on the positive side though it was the lowest since 1994. Thereafter, all the economies of the Gulf region recovered, supported by oil prices higher than those that had prevailed during the pre-global financial crisis years, and the Bahrain economy grew by 3.4% in 2012 and 5.3% in 2013. The Economist Intelligence Unit expects growth to continue in 2014 though at a lower rate of 3.6%, with nominal GDP reaching US $ 31.5 billion and to decline by US $ 1.3 billion from its level in 2013. At this turbulent stage in the world oil markets, it is difficult to forecast with any degree of accuracy the future performance of the economy. Neverthless, the Economic Intelligence Unit believes that the economy will continue to slow down but achieve positive growth of 2.6% and 2.3% in 2015 and 2016 respectively.

Bahrain's Gross Domestic Product And Real GDP Growth (2009-2015)



Source : Central Bank of Bahrain

The close linkage between the Bahraini Dinar and the US Dollar tends to dilute the effect of the monetary policy, and as a result, the financial policy continues to dominate the macroeconomic variables. Like all the other Gulf countries, Bahrain had adopted an expansive financial policy since the global financial crisis and the outbreak of the Arab Spring events, with its scarce oil resources, and the small size of its sovereign fund of US $ 7.1 billion (end of 2013), the Bahraini government strives to keep its budget deficit under control. Bahrain managed to reduce its budget deficit from 6% of the country's GDP in 2009, to 4.8% in 2010 and to a mere 0.3% in 2011, an achievement that coincided with the oil market boom. However, the definite returned to its upward trajectory and amounted to 2% and 3.3% in 2012 and 2013 respectively and real deficit is now expected to rise to 5.3% in 2014 upon closing the final accounts for the year. Indeed, the budget deficit may rise further in 2015 and beyond in light of the current adverse developments in the oil markets.

Despite the expansive financial and monetary policies adopted by the government, inflation was kept under control. After having reached about 3.3% in 2013 when the oil market was in full bloom, inflation eased to 2.9% in 2014 and is now expected to range from 2% to 3% during 2015 and 2016 respectively. At these levels, it will not exert any undue pressure on real incomes.

For the medium term, neither the current account nor net dealings with the rest of the world will register any deficit. However, the surplus may erode as a result of the adverse developments in the oil markets although it rose by 7.4% of GDP during 2014. Because of the high volatility of the oil prices, it is very difficult to project realistic forcasts on the effect of the GDP. Nevertheless, there are forecasts that it might fall to 2.3% during 2015 and as low as 0.4% in 2016.

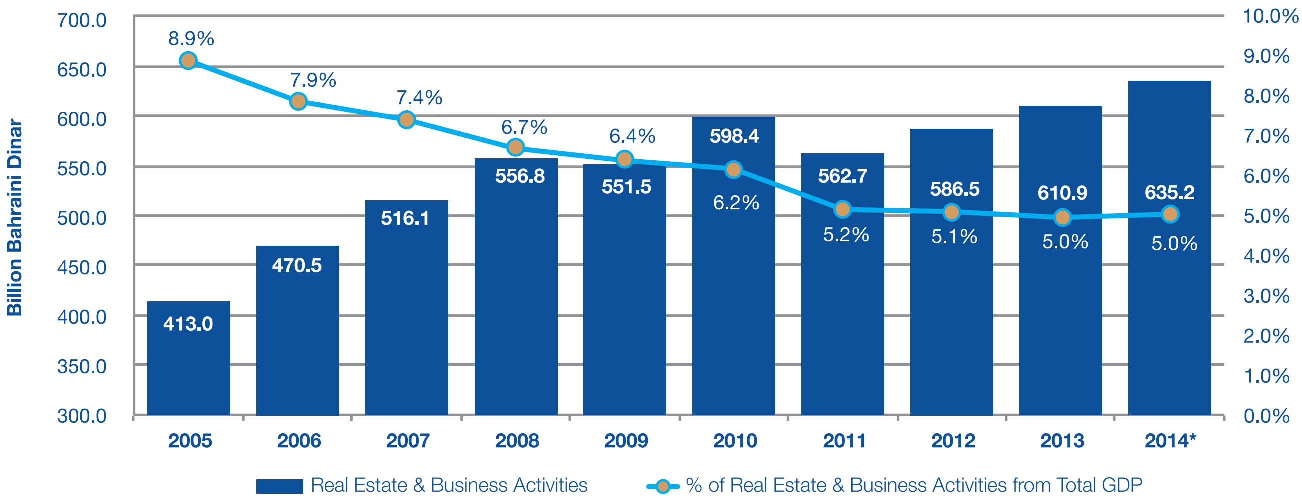
Overall, there are two factors that tend to keep the margin of error in these forecasts wide. The first can be seen in what we said about the extreme difficulty of seeing into the future and telling what developments lie in store for the oil market, by far the key variable that will have the deepest economic and political impact. The second factor is a function of the set of policies that the governments of the region, including Bahrain, might take to face the challenges posed by the new reality of the oil market. We believe we have to wait and see before we can applaud or condemn such policies.

Performance of the Local Real Estate Market

The volume of real estate and business services activities during 2014 totaled BD 635.2 million (according to the annualized data of the Central Bank of Bahrain for June 2014) compared BD 610.9 million in 2013, with an annual growth rate of 4.9% during the period 2005-2014. However the sector's contribution to the nominal GDP gradually declined to 5.0% in 2014 from 8.9% in 2005.

Total loans (according to actual figures available to the Central Bank of Bahrain – September 2014) amounted to BD

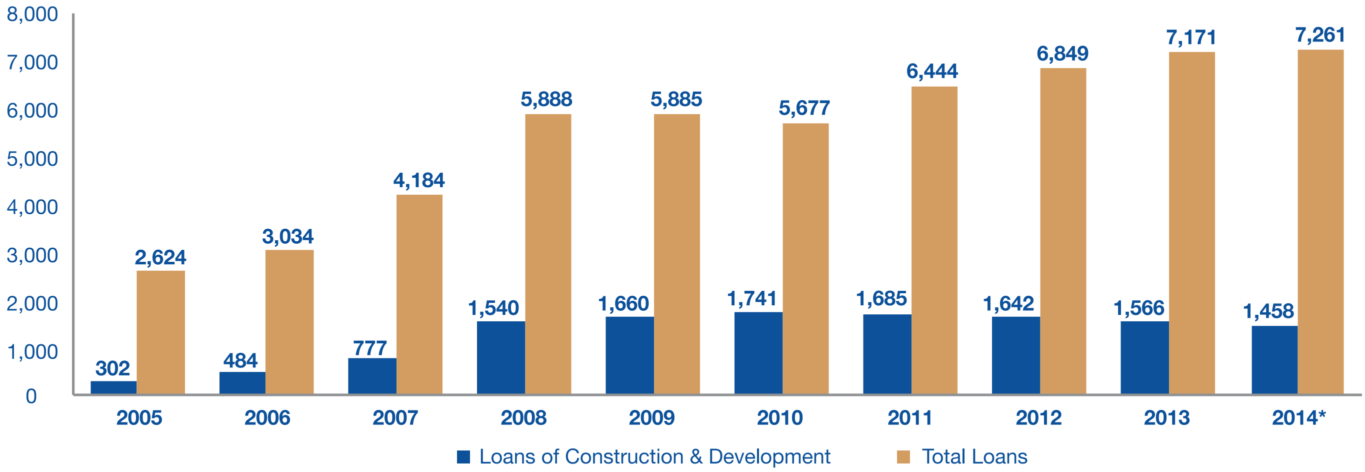
Real Estate & Business Activities Sector Values And Percentage of Total GDP



2014 Data from Central Bank of Bahrain report - June 2014 (Calculated in annual basis)
Source : Central Bank of Bahrain

7.261 billion at the end of September 2014 from BD 7.216 billion at the end of September 2013, rising by 0.6%, with an annual compound rate of growth of 6.2% during period 2010-2014 (Data of September 2014, annualized) while building and development loans until September 2014 declined to BD 1.458 billion (approximately 20.1% of total loans), compared to BD 1.612 billion in September 2013 (representing 22.3% of total loans), declining by 9.5%, and with an annual compound rate of decline of 5% for the period 2010-2014 (Data of September 2014, annualized).

Loans and Credit Facilities Distributed According to Economic Sectors With The Exception Of Banks (BD billion)



2014 Data from Central Bank of Bahrain - data modified base on actual figures up to the end of September 2014
Source : Central Bank of Bahrain

A total of 4,041 building development licenses were issued during the first six months of 2014, annualized at 8,082, rising by 13% over the 7,155 licenses issued during 2013. On the other hand, construction building licenses declined during the period 2010-2014 at an annual compound rate of 14.7%.

A total of 1,194 new building licenses was issued during the first six months of 2014, annualized at 2,388 licenses, representing 29.5% of total building licenses issued during the year, against 2,221 licenses in 2013 representing 31% of total licenses issued that year, representing an increase of 7.5% for the year. On the other hand, the number of licenses declined at an annual compound rate of 10.6% during the period 2010-2014. This comparison may be adjusted after the figures for the whole of 2014 are issued.

Comparison of Total and Distribution of Building Construction Licenses

Construction Permits	2009 % of Total		2010 % of Total		2011 % of Total		2012 % of Total		2013 % of Total		2014* % of Total	
Additions	5,786	55.2%	5,462	54.3%	4,185	52.7%	4,046	51.8%	3,444	48.1%	3,872	47.9%
Demolition	652	6.2%	798	7.9%	622	7.8%	558	7.1%	530	7.4%	576	7.1%
Demolition and Construction	65	0.6%	69	0.7%	57	0.7%	58	0.7%	46	0.6%	48	0.6%
New Construction	2,946	28.1%	2,787	27.7%	2,198	27.7%	2,240	28.7%	2,221	31.0%	2,388	29.5%
Reclamation	10	0.1%	14	0.1%	10	0.1%	6	0.1%	40	0.6%	4	0.0%
Renovation	1,019	9.7%	934	9.3%	866	10.9%	897	11.5%	874	12.2%	1,194	14.8%
Total Construction Perimits	**10,478**	**100%**	**10,064**	**100%**	**7,938**	**100%**	**7,805**	**100%**	**7,155**	**100%**	**8,082**	**100%**

2014 Data from central Bank of Bahrain - data modified base on actual figures up to the end of June 2014

Source : Central Bank of Bahrain

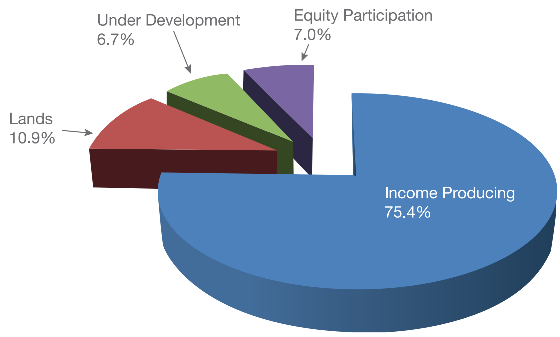
Financial Analysis of the Company

The Financial Position

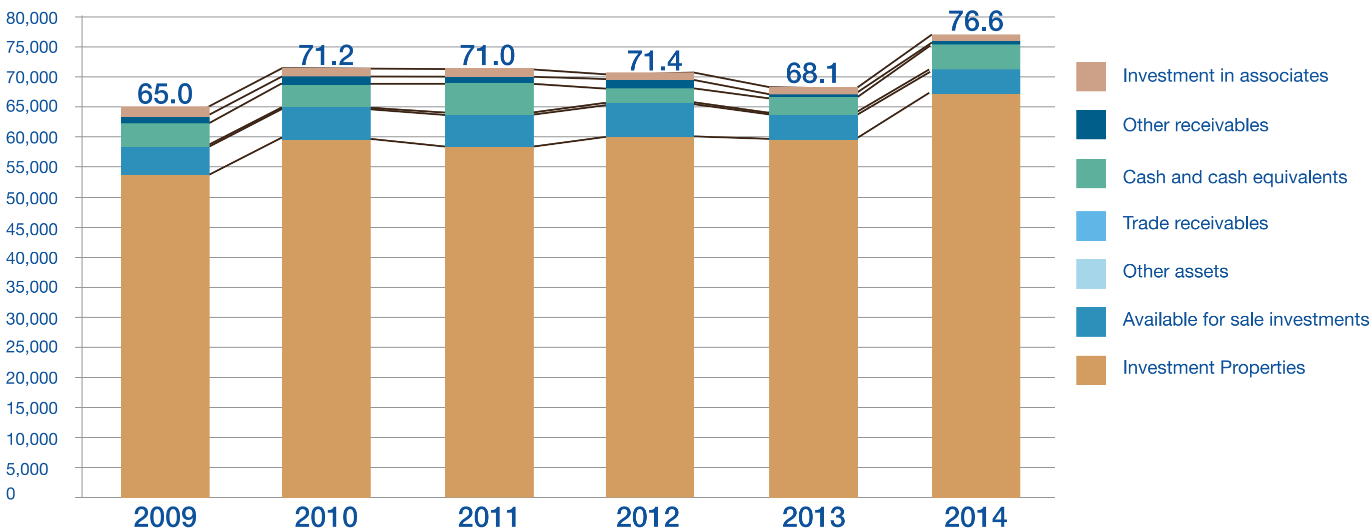
In 2014 the Company achieved its highest asset value since 2009, amounting to Bahraini Dinars 76.6 million compared to (BD 68.1 million in 2013), and achieving an average compounded annual growth rate of 3.3% for the period 2009 – 2014. The majority of the Company's assets and investments are real estate investments and investments in real estate related companies. Real estate investments increased by BD 7.7 million to reach BD 67.3 million in 2014 (87.8% of total assets) compared to BD59.6 million in 2013 (87.5% of total assets). This increase is attributed mainly to the capital costs paid towards developing Al-Yal Residence tower in Al-Seef and the Company's warehouses at the Bahrain Investment Wharf. The Company's strategy continues to focus on converting its real estate investments into income-generating assets. As of the end of 2014, these investments accounted for 75.4% of the total assets. The company increased its liquidity, with cash and cash equivalent amounting to BD 3.7 million compared to approximately BD2.5million at the of 2013.

Investments Available for sale declined by approximately BD 0.5 million to BD 3.4 million (4.4% of total assets) compared to BD 3.9 million (5.7% of total assets at the end of 2013), as a result of valuation of non-quoted and available for sale investments at cost less depreciation.

Properties Classification



Assets Company Performance During 2009 - 2014



Assets Company Percentage During 2009 - 2014

Assets percentage of total	2009	2010	2011	2012	2013	2014
Trade receivables	0.04%	0.40%	0.55%	0.50%	0.53%	0.80%
Other receivables	1.91%	1.75%	1.19%	2.11%	1.11%	0.77%
Cash and cash equivalents	5.98%	5.50%	7.15%	3.70%	3.66%	4.88%
Investment Properties	82.27%	83.59%	82.37%	85.30%	87.51%	87.84%
Available for sale investments	7.60%	6.94%	6.95%	7.00%	5.74%	4.44%
Investment in associate	2.13%	1.77%	1.77%	1.38%	1.43%	1.26%
Other assets	0.06%	0.05%	0.04%	0.02%	0.01%	0.01%
	100%	100%	100%	100%	100%	100%

On the Liabilities side, total liabilities increased to BD 19.9 million, compared to the BD 16.6 million in total liabilities in 2013, after the company obtained new financing for one of its projects and settled one of the installments due to one of its lending banks. It is worth mentioning that the company reached an agreement with its main lender to re-structure its debts. On this basis, most of the company's debts are classified as long-term debts, in line with the nature of the company's assets.

The equity belonging to the shareholders of the parent company increased by BD 0.727 to BD 47.9 million compared to BD 47.2 million in 2013, as a result of the retained earnings continued to rise since 2009, amounting to BD 7.4 million in 2014 compared to BD 6.7 million in 2013. The book value of the Company's share increased to Bahrain Fils 143.6 in 2014 from Bahrain Fils 141.4 in 2013, achieving a compound annual increase at the rate of 1.1% for the period 2009 – 2014.

Financial Performance

The Company succeeded in improving its revenues in 2014 which increased to BD 3.19 million compared to BD 2.91 million at the end of 2013, an increase of 9.6%.Rent revenues formed the main source of the company's revenues. The increase in rent revenues is attributed to completion of the company's project at Al-Seef and beginning the process of leasing the residential units in the property.

On the other side, the company succeeded in reducing its expenses by 40.8% to BD 2.16 million during 2014, from BD 3.66 million in 2013. This was achieved by reducing the provision from the impairment of investments available for sale and changes in the fair value of investment properties to BD0.44 million, compared to BD 2.05 million.

Financing costs declined to BD 0.704 million during the year while real estate expenses increased to BD 0.729 during 2014 compared to BD 0.635 million in 2013, due to the addition of the Al-Yal Residence Tower in Al-Seef to the operating assets.

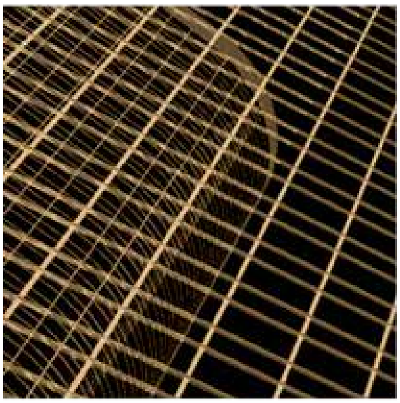
Net profits for the shareholders of the mother company amounted to BD 0.729 million compared to BD 0.267 million for 2013. As a result, the earnings per share increased to Bahrain Fils 2.2 in 2014 from Bahrain Fils 0.8 in 2013.

The following table shows a summary of some of the financial indicators during the period from 2009 to 2014.

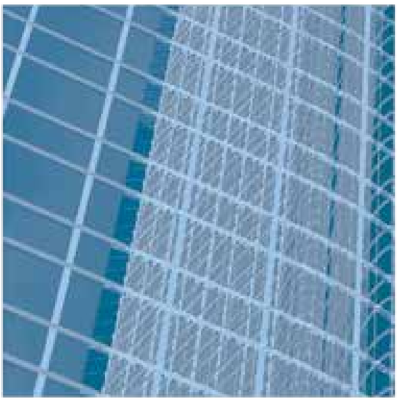
Financial Ratio During 2009 - 2014

Financial Ratios	2009	2010	2011	2012	2013	2014
Earnings Per Share-Fils	0.5	1.1	1.9	1.6	0.8	2.2
Book Value-Fils	135.9	137.0	139.0	140.6	141.4	143.6
ROAE	0.3%	0.8%	1.4%	1.2%	0.6%	1.5%
ROAA	0.2%	0.3%	0.3%	0.8%	-1.1%	1.4%
ROAC	0.5%	1.1%	1.9%	1.6%	0.8%	2.2%

FINANCIAL STATEMENT



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



Report of the Board of Directors and
Consolidated Financial Statements
31st December 2014

FIRST REAL ESTATE COMPANY B.S.C. (CLOSED)
Report Of The Board Of Directors

The Board of Directors has the pleasure in submitting its report and the audited consolidated financial statements for the Year Ended 31st December 2014.

Principal activities and review of business developments

The Group is engaged in buying, selling, managing, developing and leasing of flats, offices and houses.
The Group incurred a net profit of BD 1,023,317 during the Year Ended 31st December 2014 (2013: net loss of BD 749,158) of which a profit of BD 729,028 is attributable to the equity holders of the parent (2013: BD 266,612) and a profit of BD 294,289 is attributable to the non-controlling interests (2013: loss of BD 1,015,770).

Movement in retained earnings:

	2014 BD	2013 BD
Balance as of 1st January	**6,743,685**	6,503,734
(Loss) profit for the year	**1,023,317**	(749,158)
Non controlling interest	**(294,289)**	1,015,770
Transfer to statutory reserve	**(72,903)**	(26,661)
Balance as of 31st December	**7,399,810**	6,743,685

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 31st December 2015, will be submitted to the Annual General Meeting.

Signed on behalf of the Board

Chairman
3rd February 2015

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 subsidiaries ('the Group') which comprise the consolidated statement of financial position as at 31st December 2014 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 Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 31st December 2014, 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 consolidated 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 31st December 2014 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

Auditor's Registration No.116
3rd February, 2015
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year Ended 31st December 2014

	Notes	2014 BD	2013 BD As restated
ASSETS			
Non-current assets			
Furniture, equipment and vehicles	5	5,031	8,127
Investment properties	6	67,302,550	59,630,955
Investments in associates	7	966,441	972,493
Available for sale investments	8	3,402,161	3,914,196
		71,676,183	64,525,771
Current assets Trade and other receivables	9&24	1,202,530	1,120,046
Cash and bank balances	10	3,736,836	2,493,653
		4,939,366	3,613,699
TOTAL ASSETS		76,615,549	68,139,470
EQUITY AND LIABILITIES			
Equity			
Share capital	11	33,390,000	33,390,000
Share premium	12	27,241	27,241
Statutory reserve	13	4,968,281	4,895,378
General reserve	14	2,155,826	2,155,826
Foreign currency translation reserve		(2,644)	(283)
Retained earnings - distributable		7,339,109	6,743,608
Retained earnings - not distributable	15	60,701	77
Equity attributable to the equity holders of the parent		47,938,514	47,211,847
Non-controlling interests	24	8,769,256	4,345,147
Total equity		56,707,770	51,556,994
Non-current liabilities			
Wakala finance	16	3,770,000	12,791,017
Advances from tenants	17	-	55,800
		3,770,000	12,846,817
Current liabilities			
Wakala finance	16	13,332,554	2,166,537
Trade and other payables	18	2,475,193	1,078,004
Advances from tenants	17	330,032	491,118
		16,137,779	3,735,659
Total liabilities		19,907,779	16,582,476
TOTAL EQUITY AND LIABILITIES		76,615,549	68,139,470

Mohammad Al Farhan
Chairman

Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31st December 2014

	Notes	2014 BD	2013 BD
INCOME			
Rental revenue		3,177,035	2,860,176
Murabaha income		3,900	6,699
Wakala income		-	15,393
Other income		6,602	27,200
		3,187,537	2,909,468
EXPENSES AND OTHER CHARGES			
Property expenses		729,226	635,249
Finance charges	16	703,598	782,250
Impairment loss on available for sale investment	8	512,035	1,012,227
Administrative expenses		138,691	50,993
Staff costs		128,732	111,804
Consultancy and professional fees		15,779	13,841
Depreciation	5	4,005	7,497
Share of loss on associates	7	3,691	2,677
		2,235,757	2,616,538
Fair value gain (loss) on investment properties	6	71,537	(1,042,088)
PROFIT (LOSS) FOR THE YEAR		1,023,317	(749,158)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation (loss) gain		(2,361)	2,457
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		1,020,956	(746,701)
Profit (loss) attributable to:			
Equity holders of the parent		729,028	266,612
Non-controlling interests		294,289	(1,015,770)
		1,023,317	(749,158)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		726,667	269,069
Non-controlling interests		294,289	(1,015,770)
		1,020,956	(746,701)

Mohammad Al Farhan
Chairman

Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31st December 2014

	Notes	2014 BD	2013 BD As restated
OPERATING ACTIVITIES			
Profit (loss) for the year		1,023,317	(749,158)
Adjustments for:			
Depreciation	5	4,005	7,497
Fair value loss on investment properties	6	(71,537)	1,042,088
Share of loss on associates	7	3,691	2,677
Impairment loss on available for sale investment	8	512,035	1,012,227
Finance costs	16	703,598	782,250
Murabaha and wakala income		(3,900)	(22,092)
Operating profit before working capital changes		2,171,209	2,075,489
Working capital changes:			
Trade and other receivables		(82,484)	522,057
Trade and other payables		309,282	78,892
Advances from tenants		(216,886)	(166,734)
Net cash from operating activities		2,181,121	2,509,704
INVESTING ACTIVITIES			
Purchase of furniture, equipment and vehicles	5	(909)	(620)
Murabaha and wakala income received		3,900	29,850
Additions to investment properties	6	(2,394,343)	(1,446,989)
Term deposit with maturity of more than three months	10	-	518,472
Refund of available for sale investments	8	-	2,715
Non-controlling interest arising on incorporation of Al Yal Seef Residence W.L.L.		-	125,000
Net cash used in investing activities		(2,391,352)	(771,572)
FINANCING ACTIVITIES			
Wakala finance paid		2,145,000	(541,667)
Finance costs paid		(708,939)	(788,946)
Additional contribution by non-controlling interest		17,353	-
Net cash from (used in) financing activities		1,453,414	(1,330,613)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,243,183	407,519
Cash and cash equivalents at 1st January		2,493,653	2,086,134
CASH AND CASH EQUIVALENTS AT 31st DECEMBER	10	3,736,836	2,493,653

Non cash items:

1. Trade and other payables exclude the effect of unpaid wakala finance costs for the year amounting to BD 43,864 (2013: BD 49,205) with a net decrease of BD 5,341 (2013: BD 6,696) and unpaid payable to contractors as of year end amounting to BD 1,561,946 (2013: BD 468,698) with a net increase of BD 1,093,248 (2013: decrease of BD 172,114).
2. Trade and other receivables as of 31 December 2014 exclude the effect of movement in accrued profit with a net decrease of nil (2013: BD 7,758).
3. Additions to investment properties includes the effect of unpaid payable to contractors as of year end amounting to BD 1,561,946 (2013: BD 468,698) with a net increase of BD 1,093,248 (2013: decrease of BD 172,114) and excludes an amount of BD 4,112,467 pertaining to contribution by non-controlling interest.

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31st December 2014

Attributable to equity holders of the parent

	Notes	Share capital	Share premium	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings-distributable	Retained earnings-not distributable	Total	Non-controling interests	Total equity
		BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1st January 2014		**33,390,000**	**27,241**	**4,895,378**	**2,155,826**	**(283)**	**6,743,608**	**77**	**47,211,847**	**4,345,147**	**51,556,994**
Profit for the year		-	-	-	-	-	729,028	-	729,028	294,289	1,023,317
Other comprehensive income		-	-	-	-	(2,361)	-	-	(2,361)	-	(2,361)
Total comprehensive income (loss)		-	-	-	-	(2,361)	729,028	-	726,667	294,289	1,020,956
Contribution by non-controlling interest*		-	-	-	-	-	-	-	-	4,129,820	4,129,820
Transfer to statutory reserve	13	-	-	72,903	-	-	(72,903)	-	-	-	-
Transfer by subsidiary		-	-	-	-	-	(60,624)	60,624	-	-	-
Balance at 31st December 2014		**33,390,000**	**27,241**	**4,968,281**	**2,155,826**	**(2,644)**	**7,339,109**	**60,701**	**47,938,514**	**8,769,256**	**56,707,770**

*Includes contribution in kind amounting to BD 4,112,467. The remaining balance of BD 17,353 pertains to cash contribution provided by non-controlling interest.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31st December 2014

Attributable to equity holders of the parent

	Notes	Share capital	Share premium	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings distributable	Retained earnings-not distributable	Total	Non-controlling interests	Total equity
		BD	BD	BD	BD	BD	BD	BD	Total BD	BD	BD
Balance at 1st January 2013		**33,390,000**	**27,241**	**4,868,717**	**2,155,826**	**(2,740)**	**6,503,657**	**77**	**46,942,778**	**6,113,735**	**53,056,513**
Profit (loss) for the year		-	-	-	-	-	266,612	-	266,612	(1,015,770)	(749,158)
Other comprehensive loss		-	-	-	-	2,457	-	-	2,457	-	2,457
Total comprehensive income (loss)		-	-	-	-	2,457	266,612	-	269,069	(1,015,770)	(746,701)
Non-controlling interest arising on incorporation of Alyal Seef Residence W.L.L. (restated)	24	-	-	-	-	-	-	-	-	125,000	125,000
Transfer to non-controlling interests**		-	-	-	-	-	-	-	-	(877,818)	(877,818)
Transfer to statutory reserve	13	-	-	26,661	-	-	(26,661)	-	-	-	-
Balance at 31st December 2013		33,390,000	27,241	4,895,378	2,155,826	(283)	6,743,608	77	47,211,847	4,345,147	51,556,994

** Includes transfer of investment property of BD 692,001 (note 6) and receivable from non-controlling interests amounting to BD 185,817.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

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 buying, selling, managing, developing and leasing of flats, offices and houses. The Group primarily operates in the Kingdom of Bahrain. The address of the Group's registered head office is Al Rossais Tower - Diplomatic Area, office 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 subsidiaries and associate companies as of 31st December 2014 (2013: same)

Company Name	Percentage shareholding	Country of incorporation	Year of incorporation	Industry
Subsidiaries:				
Al Yal Real Estate Company W.L.L.	50%	Kingdom of Bahrain	2008	Real Estate
Al Yal Seef Residence W.L.L.	50%	Kingdom of Bahrain	2013	Real Estate

Frst Real Estate Company is exposed, or has rights, to variable returns from its involvement with Al Yal Real Estate Company W.L.L. and Al Yal Seef Residence W.L.L. and has the ability to affect those returns through its power over Al Yal Real Estate Company W.L.L. and Al Yal Seef Residence W.L.L. and thus the latter is deemed as subsidiaries of First Real Estate Company B.S.C. (closed).

Associates:				
Al-Sanbook R.E. Co. 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 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 3rd February 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) Exposure, or rights, to variable returns from its involvement with the investee; and
c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee;
b) Rights arising from other contractual arrangements; and
c) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of income; and
- reclassifies the parent's share of components previously recognised in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

New and amended standards and interpretations effective as of 1st January 2014

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following amendments to IAS and IFRS effective as of 1st January 2014:

- IAS 32 Financial Instruments: Presentation (Amendment) - Guidance on the offsetting of financial assets and financial liabilities;
- IAS 36 Impairment of Assets (Amendment) - Recoverable amount disclosures for non-financial assets;
- IAS 39 Financial Instruments: Recognition and Measurement (Amendment) - Novation of derivatives and continuation of hedge accounting;
- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments) - Amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meet the definition of an investment entity;
- IFRIC 21 Levies - Interpretation on the accounting for levies imposed by Governments;
- Improvements to IFRSs (2010-2012) Cycle: Amendments to IFRS 13 – Short-term receivables and payables; and
- Improvements to IFRSs (2011-2013) Cycle: Amendments to IFRS 1 – Meaning of 'effective IFRSs'.

The nature and impact of these amendments have been described below:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since the Group has no offsetting arrangements.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1st January 2014 with earlier application permitted, provided IFRS 13 is also applied. These amendments have no impact on the Group's financial consolidated statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
New and amended standards and interpretations effective as of 1st January 2014 (continued)

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since the Group has no entities which qualifies to be an investment entity under IFRS 10.

FRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1st January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1st January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification. An asset is presented as current when it is:

- expected to be realised or intended to sold or consumed in a normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
New and amended standards and interpretations effective as of 1st January 2014 (continued)

All other assets are classified as non-current. A liability is presented as current when:

- it is expected to be settled in a normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re- assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Equipment	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 are classified under investment properties when the definition of investment properties is met. The lease obligation is recognised under IAS 17 at fair value of the interest in the leasehold property.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
Investment properties (continued)

Subsequent to initial recognition, an investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of comprehensive income in the year in which they arise. For the purposes of these consolidated 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 consolidated 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 consolidated 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
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
Investments in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of loss of an associate' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of comprehensive income.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables or available-for-sale investments, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
Loans and receivables (continued)

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 bank balances in the consolidated statement of financial position comprise of cash on hand, cash at banks and Murabaha term deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of Murabaha term deposits with original maturity of more than three months, outstanding bank overdrafts and restricted bank accounts, if any.

Impairment and uncollectibility of financial assets
The Group assesses at each consolidated statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 income;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and wakala finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
Impairment and uncollectibility of financial assets (continued)

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification.

Wakala finance
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 consolidated statement of comprehensive income as it accrues. Accrued profit is included in accruals in trade and other payables.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

Amortised cost of financial instruments
Amortised cost is computed using the effective profit 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 profit 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 has expired.

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 time value of money is material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

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. 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. 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 duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the consolidated statement of comprehensive income.

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

3. 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 consolidated statement of financial position date 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 an investment property or a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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. At the consolidated statement of financial position date, the Group recorded an impairment of BD 512,035 (2013: BD 1,012,227) on their unquoted available-for-sale equity securities.

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 consolidated statement of financial position date, gross trade receivables were BD 612,931 (2013: BD 360,455) and provision for doubtful debts was nil (2013: nil).

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

The standard was initially effective for annual periods beginning on or after 1 January 2015, however the final version of IFRS 9 issued by the IASB in July 2014 moved the mandatory effective date to 1st January 2018.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1st January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous Generally Accepted Accounting Principles, both on initial adoption of IFRS and in subsequent financial statements (effective for annual periods beginning on or after 1st January 2016).

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1st January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendments)

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service (effective for annual periods beginning on or after 1st July 2014).

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1st January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1st January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Annual improvements to IFRSs (2010-2012) Cycle

These improvements issued in December 2013 are effective from 1st July 2014. The document contains amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual improvements to IFRSs (2011-2013) Cycle
These improvements issued in December 2013 are effective from 1st July 2014. The document contains amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Other standards and interpretations that have been issued but not yet effective are not likely to have any significant impact on the consolidated financial statements of the Group in the period of their initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

5. FURNITURE, EQUIPMENT AND VEHICLES

2014	Furniture BD	Equipment BD	Vehicles BD	Total BD
Cost:				
At 1st January 2014	33,914	28,557	17,730	80,201
Additions	-	909	-	909
At 31st December 2014	33,914	29,466	17,730	81,110
Depreciation				
At 1st January 2014	31,946	28,222	11,906	72,074
Provided during the year	894	507	2,604	4,005
At 31st December 2014	**32,840**	**28,729**	**14,510**	**76,079**
Net carrying amount: At 31st December 2014	**1,074**	**737**	**3,220**	**5,031**

2013	Furniture BD	Equipment BD	Vehicles BD	Total BD
Cost:				
At 1st January 2013	33,914	27,937	17,730	79,581
Additions	-	620	-	620
At 31st December 2013	33,914	28,557	17,730	80,201
Depreciation:				
At 1st January 2013	29,254	26,077	9,246	64,577
Provided during the year	2,692	2,145	2,660	7,497
At 31st December 2013	**31,946**	**28,222**	**11,906**	**72,074**
Net carrying amount: At 31st December 2013	1,968	335	5,824	8,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

6. INVESTMENT PROPERTIES

	2014 BD	2013 BD
As at 1st January	**59,630,955**	60,090,169
Additions during the year	**3,487,591**	1,274,875
Contribution by non-controlling interest	**4,112,467**	-
Transfer to non-controlling interests	**-**	(692,001)
	67,231,013	60,673,043
Fair value gain (loss)	**71,537**	(1,042,088)
As at 31st December	**67,302,550**	59,630,955

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 average selling price 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 2014, contribution by non-controlling interest represent a contribution of a residential property by Injazzat Real Estate Development Company K.S.C. to Al Yal Seef Residence W.L.L., a subsidiary, at a carrying amount of BD 4,112,467.

In 2013, transfer to non-controlling interest represent a transfer of a residential property by a subsidiary to Al Dhow Real Estate B.S.C. (c) at a carrying amount of BD 692,001.

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.

Included in investment properties are certain plots of land with a carrying value of BD 26,389,643 as of 31st December 2014 (2013: BD 21,003,702) which are mortgaged against the Group's wakala finance facilities (note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

7. 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 31st December and are as follows:

	2014 BD	2013 BD
As at 1st January	**972,493**	972,713
Share of loss on associates	**(3,691)**	(2,677)
Foreign currency exchange (loss) gain	**(2,361)**	2,457
As at 31st December	**966,441**	972,493

The following table illustrates the summarised financial information of the Group's investment in associates as of 31 December on the basis of unaudited financial statements:

	Sanbook 2014 BD	Asdaf 2014 BD	Total 2014 BD
Current assets	17,127	11,059	28,186
Non current assets	4,117,086	-	4,117,086
Current liabilities	(284,162)	(3,201)	(287,363)
Equity	3,850,051	7,858	3,857,909
Proportion of the Group's ownership	25%	50%	
Carrying amount of the investment	962,513	3,928	966,441
Revenue	-	-	-
Group's share of revenue for the year	-	-	-
Loss	(7,443)	(3,659)	(11,103)
Group's share of loss for the year	(1,861)	(1,830)	(3,691)
Foreign currency exchange loss	(2,348)	(13)	(2,361)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

7. INVESTMENTS IN ASSOCIATES (continued)

	Sanbook 2013 BD	Asdaf 2013 BD	Total 2013 BD
Current assets	20,254	13,412	33,666
Non current assets	4,116,000	-	4,116,000
Current liabilities	(269,369)	(1,867)	(271,236)
Equity	3,866,885	11,545	3,878,430
Proportion of the Group's ownership	25%	50%	
Carrying amount of the investment	966,721	5,772	972,493
Revenue	-	-	-
Group's share of revenue for the year	-	-	-
Loss	(4,438)	(3,133)	(7,571)
Group's share of loss for the year	(1,110)	(1,567)	(2,677)
Foreign currency exchange gain	2,443	14	2,457

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 31st December 2014.

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.

The associates had no contingent liabilities or capital commitments as at 31st December 2014 (31st December 2013: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

8. AVAILABLE FOR SALE INVESTMENTS

The movement in the unquoted available-for-sale investments for the year is as follows:

	2014 BD	2013 BD
As at 1st January	**3,914,196**	4,929,138
Impairment loss for the year	**(512,035)**	(1,012,227)
Refund on investment	**-**	(2,715)
As at 31st December	**3,402,161**	3,914,196

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

9. TRADE AND OTHER RECEIVABLES

	2014 BD	2013 BD As restated
Trade receivables	**612,931**	360,455
Amounts due from related parties (note 19)	**494,589**	370,923
Amount due from an associate (note 19)	**66,886**	66,886
Prepaid expenses	**25,389**	24,436
Security deposit	**2,695**	2,695
Advances to contractors (note 19)	**-**	169,500
Amount due from non-controlling interests (note 19)	**-**	125,000
Other receivables	**40**	151
	1,202,530	1,120,046

Amounts due from related parties represents collections from tenants made by a shareholder on behalf of the Group and commissions and other expenses paid by the Group on behalf of the shareholders. The balance is interest free and payable on demand.

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.

Amount due from an associate represent excess investment made to the associate to be returned to the Group. The amount is interest free with no fixed terms of repayment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

9. TRADE AND OTHER RECEIVABLES (continued)

As at 31st 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
2014	-	-	-	-	-	-
2013	360,455	173,567	96,555	90,333		

10. CASH AND BANK BALANCES

	2014 BD	2013 BD
Cash on hand	**295**	295
Cash at banks*	**3,736,541**	1,736,685
Murabaha term deposits**	**-**	756,673
Cash and cash equivalents	**3,736,836**	2,493,653

*Cash at banks disclosed above exclude the effect of cash deposited in a commercial bank in the State of Kuwait amounting to BD 463,010 held by the Group in a fiduciary capacity to a subsidiary shareholder (2013: BD 5,795,959).

**Murabaha term deposits are short term deposits with commercial banks in the Kingdom of Bahrain. The deposits are denominated in Bahraini Dinars with an effective profit rate of 1.26% (2013: 1.25%) and are made for varying periods of between one to six months.

11. SHARE CAPITAL

	2014 BD	2013 BD
Authorised:		
333,900,000 (2013: 333,900,000) ordinary shares of 100 fils (2013: 100 fils) each	**33,390,000**	33,390,000
Issued, subscribed and paid up	**33,390,000**	33,390,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

12. SHARE PREMIUM

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

13. STATUTORY RESERVE

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

14. GENERAL RESERVE

The general reserve, which represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Group, is distributable.

15. RETAINED EARNINGS - NOT DISTRIBUTABLE

This represents the Group's share in the statutory reserves of its subsidiaries and is not available for distribution.

16. WAKALA FINANCE

	2014 BD	2013 BD
Wakala finance 1	**10,832,554**	12,457,554
Wakala finance 2	**2,500,000**	2,500,000
Wakala finance 3	**3,770,000**	-
	17,102,554	14,957,554
Less: current portion	**(13,332,554)**	(2,166,537)
Non-current portion	**3,770,000**	12,791,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31st December 2014

16. WAKALA FINANCE (continued)

Wakala finance 1

Based on the original terms of the loan, the principal was repayable in one lump sum payment on 1st November 2011. In 2012, the Group renegotiated the terms of the loan with the bank. Based on the renegotiated terms, 50% of the principal amount is repayable in 12 quarterly installments starting 1st November 2013 and the remaining 50% is repayable at final maturity date on 1st November 2018.

In 2014, the Group did not pay the instalment which was due in November 2014, hence the loan was classified as current. The Group has renegotiated the terms of the loan with the bank during the year which was approved in 28th January 2015. Based on the renegotiated terms, Wakala finance 1 and Wakala finance 2 was combined in one facility amounting to BD 13,332,554. The finance arrangement is secured by a first legal mortgage over certain land included in the Group's investment properties with a carrying value of BD 25,435,469. The loan carries a profit rate of Bibor plus 2.5% and 50% of the principal amount is repayable in 16 equal quarterly installments starting 31st January 2018 and the remaining 50% is repayable at final maturity date on 31st January 2022. Profit is payable on a quarterly basis and is expensed to the consolidated statement of comprehensive income as it accrues. Accrued profit of BD 24,072 (2013: BD 29,413) is included in trade and other payables as of 31st December 2014.

Wakala finance 2

The finance arrangement is secured by a first charge over certain land included in the Group's investment properties with a carrying value of BD 10,000,000 (2013: BD 11,439,262) (note 6). In 2012, the Group settled the first instalment of BD 2,500,000 and the second installment amounting to BD 2,500,000 is repayable in April 2015. The loan carries a profit rate of Bibor plus 1.25% (2013: 1.25%). Accrued profit of BD 19,792 (2013: BD 19,792) is included in trade and other payables. The terms of this finance arrangement was renegotiated together with Wakala 1 above.

Wakala finance 3

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 4,765,809 (2013: nil) (note 6). The loan carries a profit rate of 5%. The principal amount is repayable in 60 equal monthly instalments starting from 15 January 2016 with final maturity date on 15th December 2020.

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

	2014 BD	2013 BD
Wakala finance 1	**574,127**	654,897
Wakala finance 2	**126,736**	126,389
Bank charges	**2,735**	964
	703,598	782,250

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17. ADVANCED FROM TENANTS

	2014 BD	2013 BD
Long term advanced*	-	279,000
Other advanced	330,032	267,918
	330,032	546,918
Less: current portion	(330,032)	(491,118)
Non current portion	-	55,800

* In October 2009, the Group 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.

18. TRADE AND OTHER PAYABLES

	2014 BD	2013 BD
Payable to contractors (note 19)	1,561,946	468,698
Amounts due to a related party (note 19)	431,886	362,282
Current account with property manager	252,862	108,399
Accrued expenses	182,941	88,940
Accrued finance costs	43,864	49,205
Trade payables	1,694	480
	2,475,193	1,078,004

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

19. RELATED PARTY TRANSACTIONS

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

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

A company related to a shareholder acts as the property manager for certain investment properties of the Group. During the Year Ended 31st December 2014, the Group incurred property expenses of BD 392,790 (2013: BD 413,726) with this property manager for running the day-to- day operations, renewal of contracts and securing new tenants in relation to these properties.

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19. RELATED PARTY TRANSACTIONS (contined)

A shareholder also acts as a property manager on an investment property for the Group. During the Year Ended 31st December 2014, the Group incurred property expenses of BD 203,574 (2013: BD 208,216) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.

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

	2014 BD	2013 BD
Amounts due from related parties (note 9)	494,589	370,923
Amounts due from associates (note 9)	66,886	66,886
Advances to contractors (note 9)	-	169,500
Amounts due from non-controlling interests (note 9)	-	125,000
	561,475	732,309

The balance payable to a related party included in the consolidated statement of financial position amounted to BD 431,886 (2013: 362,282) [note 18].

Balance payable to contractors includes an amount of BD 1,561,946 due to a shareholder for the development of certain properties (2013: BD 468,698).

Outstanding receivable from related parties 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 31st December 2014, the Group has not recorded any impairment of amounts owed by related parties (2013: nil).

Compensation of key management personnel

Remuneration of directors and members of key management during the year amounted to BD 70,000 (2013: nil).

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20. RISK MANAGEMENT

Introduction
The Group manages risk through a process of ongoing identification and monitoring of the risks it faces. The Group is exposed to 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. The sensitivity of the consolidated 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 31st December 2014.

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 loans:

	Increase / decrease in basis points	Effect on profit / loss for the year BD
Finance costs		
2014		
	+10	13,333
	-10	(13,333)
2013		
	+10	14,957
	-10	(14,957)

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

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20. RISK MANAGEMENT(contined)

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. Credit risk from cash and cash equivalents is managed by the Group's management in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Audit Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. 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 as follows:

	2014 BD	2013 BD
Cash and bank balances (excluding cash on hand)	**3,736,541**	2,493,358
Trade receivables	**612,931**	360,455
Amounts due from related parties (note 19)	**494,589**	370,923
Amount due from an associate (note 19)	**66,886**	66,886
Amount due from non-controlling interests (note 19)	**-**	125,000
Other receivables	**40**	151
	4,910,987	3,416,773

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20. 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 31st December 2014	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
Wakala finance	10,999,211	2,501,389	3,593,029	898,257	17,991,886
Payable to contractors	1,561,946	-	-		1,561,946
Amounts due to related parties	431,886	-	-		431,886
Current account with property manager	252,862	-	-		252,862
Trade payables	1,694	-	-		1,694
Total	13,247,599	2,501,389	3,593,029	898,257	20,240,274

Year ended 31st December 2013	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
Wakala finance	721,156	2,133,912	14,242,211	-	17,097,279
Payable to contractors	468,698	-	-		468,698
Amounts due to related parties	362,282	-	-		362,399
Current account with property manager	108,399	-	-		108,399
Trade payables	480	-	-		480
Total	1,661,015	2,133,912	14,242,211	-	18,037,138

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 31st December 2014 and 31st December 2013. Capital comprises equity of the Group and is measured at BD 47,938,514 at 31st December 2014 (31st December 2013: BD 47,211,847).

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21. FAIR VALUES

Financial instruments
Financial instruments comprise of financial assets and financial liabilities.

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

The following methods and assumptions were used to estimate the fair values:

a) Available for sale investments are carried at costs. Cash and bank balances, certain portion of trade and other receivables and certain portion of trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments;
b) Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

As at 31st December 2014 and 31st December 2013, the Group did not hold any financial instrument remeasured at fair value, therefore, fair value hierarchy disclosures are not relevant.

The reconciliation of the fair value measurement of investment properties and level 3 fair value hierarchy is as follows:

Financial asset classified as loans and receivables	2014 BD	*2013* *BD*
As at 1st January	**59,630,955**	60,090,169
Additions during the year	**3,487,591**	1,274,875
Contribution by non-controlling interest	**4,112,467**	-
Transfer to non-controlling interests	**-**	(692,001)
	67,231,013	60,673,043
Fair value gain (loss)	**71,537**	(1,042,088)
As at 31st December	**67,302,550**	59,630,955

Investment properties
The Group accounts for investment properties at fair values at the statement of 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 Group's investment properties measured at fair value under Level 3 fair value hierarchy amounted to BD 67,302,550 (2013: BD 59,630,955).

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements in the current and prior years.

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22. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the consolidated statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	2014 BD	2013 BD As restated
Financial asset classified as loans and receivables		
Cash and bank balances (excluding cash on hand)	3,736,541	2,493,358
Trade receivables	612,931	360,455
Amounts due from related parties	494,589	370,923
Amount due from an associate	66,886	66,886
Amount due from non-controlling interests	-	125,000
Interest receivable - short term deposits	-	-
Other receivables	40	151
	4,910,987	3,416,773
Financial liability at amortised cost		
Wakala finance	17,102,554	14,957,554
Payable to contractors	1,561,946	468,698
Amounts due to a related party	431,886	362,282
Current account with property manager	252,862	108,399
Trade payables	1,694	480
	19,350,942	15,897,413

23. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the date of consolidated statement of financial position but not provided for, relating to the Group, amounted to nil (2013: BD 905,677).

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24. RESTATEMENT OF COMPARATIVE FIGURES

On 22nd December 2013, the Company has incorporated a new subsidiary, Al Yal Seef Residence W.L.L. The subsidiary was not consolidated by the Group as of 31st December 2013 as there was no operation from date of incorporation to 31st December 2013. However the subsidiary's statement of financial position has to be consolidated as of 31st December 2013.

The Group restated the consolidated financial statements for previous year to reflect proper amounts for the following consolidated statement of financial position accounts:

	2013 as previously reported BD	**Adjustment BD**	**2013 restated BD**
Trade and other receivables	995,046	125,000	1,120,046
Non-controlling interests	4,220,147	125,000	4,345,147

25. COMPARATIVE FIGURES

Certain comparatives in the consolidated statement of equity have been reclassified in order to conform with the current year presentation. Such reclassifications did not affect previously reported consolidated profit or equity.