

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

FINANCIAL STATEMENTS

31 DECEMBER 2005


**AUDITORS' REPORT TO THE SHAREHOLDERS OF
FIRST BAHRAIN REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)
[FORMERLY BURAQ AL KHALEEF HOLDING COMPANY K.S.C. (HOLDING)]**

We have audited the accompanying balance sheet of First Bahrain Real Estate Development Company K.S.C. (Closed) [Formerly Buraq Al Khaleef Holding Company K.S.C. (Holding)] as of 31 December 2005, and the related statements of income, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2005 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion proper books of account have been kept by the company and the financial statements, together with the contents of the report of the board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the period ended 31 December 2005 that might have had a material effect on the business of the company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

4 September 2006
Kuwait

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

INCOME STATEMENT

Period ended 31 December 2005

		<i>Period from 5 October 2004 to 31 December 2005 KD</i>
	<i>Note</i>	
Murabaha income		58,887
Wakala income		363,356
Property revaluation gain	4	2,573,383
Realised gain from sale of investment carried at fair value through income statement		39,809
Unrealised gain from investment carried at fair value through income statement		9,622
Administrative expenses		(5,706)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES		3,039,351
Contribution to Kuwait Foundation for the Advancement of Sciences		(27,354)
Directors' remuneration		(36,500)
PROFIT FOR THE PERIOD		2,975,497

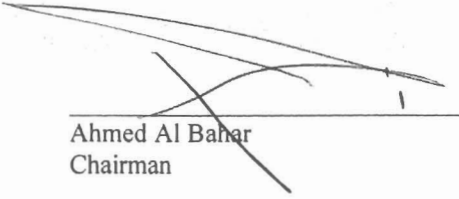
The attached notes 1 to 13 form part of these financial statements.

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

BALANCE SHEET

At 31 December 2005

	Notes	2005 KD
Non current asset		
Property under development	3	2,856,420
Investment property	4	11,102,074
		<u>13,958,494</u>
Current assets		
Investment carried at fair value through income statement ✓	5	474,431
Murabaha investment	7	3,053,507
Wakala receivables	6	15,000,000
Bank balances and cash	7	710,142
		<u>19,238,080</u>
TOTAL ASSETS		<u><u>33,196,574</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	8	30,000,000
Statutory reserve	9	303,935
Retained earning		2,671,562
		<u>32,975,497</u>
Current liabilities		
Accounts payable and accruals → G. + KFAS + D.		<u>221,077</u>
Total liabilities		<u>221,077</u>
TOTAL EQUITY AND LIABILITIES		<u><u>33,196,574</u></u>


Ahmed Al Bahar
Chairman

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

STATEMENT OF CASH FLOWS

Period ended 31 December 2005

	<i>Period from 5 October 2004 to 31 December 2005</i>	
	<i>KD</i>	<i>Note</i>
OPERATING ACTIVITIES		
Profit for the period	2,975,497	
Adjustment for:		
Property revaluation gain	(2,573,383)	
	402,114	
Working capital changes:		
Investment carried at fair value through income statement	(474,431)	
Wakala receivables	(10,000,000)	
Accounts payable and accruals	221,077	
Net cash used in operating activities	(9,851,240)	
INVESTING ACTIVITIES		
Purchase of property under development	(2,856,420)	
Acquisition of investment property	(8,528,691)	
Net cash used in investing activities	(11,385,111)	
FINANCING ACTIVITIES		
Issue of share capital	30,000,000	
Net cash from financing activities	30,000,000	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8,763,649	7

The attached notes 1 to 13 form part of these financial statements.

First Bahrain Real Estate Development Company K.S.C. (Closed)
 [Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2005

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Issue of share capital	30,000,000	-	-	30,000,000
Profit for the period	-	-	2,975,497	2,975,497
Transfer to reserve	-	303,935	(303,935)	-
Balance at 31 December 2005	30,000,000	303,935	2,671,562	32,975,497

The attached notes 1 to 13 form part of these financial statements.

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

1 ACTIVITIES

The financial statements of First Bahrain Real Estate Development Company K.S.C (Closed) [Formerly Buraq Al Khaleej Holding Company K.S.C.(Holding)] for the period ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 4 September 2006.

First Bahrain Real Estate Development Company K.S.C. (Closed) [Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)] was incorporated in Kuwait on 5 October 2004 as K.S.C. (Holding) and was registered as a K.S.C. (Closed) company on 9 May 2005 under the commercial companies law No. 15 of 1960 as amended. Its registered office is at Souk Al Safat, Abdulla Al Mubarak Street, Kuwait. The objects of its incorporation are:

- Trading, management and development of properties inside and outside Kuwait.
- Owning, buying and selling of stocks and bonds of real estate companies inside and outside Kuwait
- Performing maintenance of properties, including mechanical, electro-mechanical, air conditioning activities.
- Performing real estate advisory services, feasibility studies and real estate appraisals.
- Managing, operating and leasing hotels, clubs, residential buildings, touristic and health care resorts and providing support services.

On 11 April 2005, the shareholders of the company held an Extraordinary General Meeting and approved the following:

- i) Increase in the authorised share capital of the company from KD 1,000,000 to KD 30,000,000. The increase comprises of 290,000,000 shares at a par value of 100 fils per share;
- ii) Change in the name of the company from Buraq Al Khaleej Holding Company K.S.C. (Holding) to First Bahrain Real Estate Development Company K.S.C. (Closed);
- ii) Change the company's objectives from activities permitted by law for a K.S.C. (Holding) to those activities disclosed above.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards and applicable requirements of Ministerial Order No. 18 of 1990.

The financial statements have been prepared in Kuwaiti dinars.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of property and investment carried at fair value through income statement.

The financial statements have been prepared for the period from the date of incorporation to 31 December 2005.

Revenue recognition

Murabaha and wakala income are recognised on a time proportion basis.

Property under development

Property in the process of construction or development for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of the property and other costs incurred in association with the construction or development of property to bring it to the condition necessary to make the sale.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and sale.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

All investment properties are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the properties. After initial recognition, investment properties are remeasured at fair value on an individual basis with the resultant unrealised gains or losses being taken to the income statement.

Investments carried at fair value through income statement

Investments classified as "Investments carried at fair value through income statement" are initially recognised at fair value. After initial recognition, investments are remeasured at fair value with all changes in fair value being recorded in the income statement.

Murabaha investment

Murabaha is an Islamic transaction involving the company's purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. As the credit risk of the transaction is attributable to a financial institution, the amount due is classified as a murabaha investment. Murabaha investment is stated at cost less provision for impairment, if any.

Wakala receivables

Wakala receivables are financial assets originated by the company. These are stated at cost less provision for impairment, if any.

Wakala receivables comprise amounts invested with financial institution for the onward deals by this institution in various Islamic investment products.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

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

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

For investment properties, fair value is determined on the basis of a valuation undertaken by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the property being valued.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, murabaha investments and wakala receivables with an original maturity of three months or less and that are subject to an insignificant risk of changes in value.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to cash flows from the financial asset expire, the company has transferred substantially all the risks and rewards and when it has neither transferred nor retained substantially all the risks and rewards of ownership or when it no longer has control over the asset or proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Judgements

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading property, property under development or investment property.

The company classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The company classifies property as property under development if it is acquired or subsequently the intention is changed to construction and development for sale in the ordinary course of business.

The company classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through income statement, or available for sale.

The company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the income statement in the regular management accounts, they are classified as at fair value through income statement.

All other investments are classified as available for sale.

Impairment provision of receivables

An estimate of the collectible amount of 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 past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of investments

The company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

First Bahrain Real Estate Development Company K.S.C. (Closed)
[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same ; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of properties

Valuation of properties is supported by indicative market prices. Periodically, valuation is carried out by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the property being valued.

The determination of the fair value of properties requires significant estimation.

3 PROPERTY UNDER DEVELOPMENT

Property under development represents a portion of land located in Bahrain which is in process of construction and development for sale in the ordinary course of business; the portion of land not being developed is classified as investment property (see Note 4)..

4 INVESTMENT PROPERTY

	<i>2005</i> <i>KD</i>
Acquisition of property	8,528,691
Property revaluation gain	2,573,383
Balance at 31 December	<u>11,102,074</u>

Investment property is stated at fair value, which has been determined based on valuation performed by an independent valuer. The fair value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

First Bahrain Real Estate Development Company K.S.C. (Closed)
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

5 INVESTMENT CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

This investment represents investment in unquoted fund, managed by a related party where the net asset value of the fund is considered to be its fair value.

6 WAKALA RECEIVABLES

Wakala receivables represent transactions with a local financial services institution which is a shareholder of the company. The average profit rate on these transactions is 5.7% per annum.

Included in wakala receivables is an amount of KD 5,000,000 related to a transaction having an original maturity date of three months (Note 7).

7 CASH AND CASH EQUIVALENTS

	<i>2005</i> <i>KD</i>
Murabaha investment	3,053,507
Wakala receivables (Note 6)	5,000,000
Bank balances and cash	710,142
	<hr/> 8,763,649 <hr/>

Murabaha investment represent transaction with a local financial services institution which is a shareholder of the company. The profit rate on this transaction is 7% per annum.

8 SHARE CAPITAL

The authorised, issued and fully paid up capital as of 31 December 2005 comprised of 300,000,000 shares of 100 fils each.

9 STATUTORY RESERVE

As required by the Commercial Companies Law and the company's articles of association, 10% of the profit for the period has been transferred to statutory reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

First Bahrain Real Estate Development Company K.S.C. (Closed)

[Formerly Buraq Al Khaleej Holding Company K.S.C. (Holding)]

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

10 RELATED PARTIES TRANSACTIONS

These represent transactions with related parties i.e. shareholders, directors, senior management and companies of which they are principal owners. The terms of these transactions are approved by the company's management.

	2005
	KD
Balances included in the balance sheet:	
Investments carried at fair value through income statement	474,431
Murabaha investment	3,053,507
Wakala receivables	15,000,000
Bank balance and cash	704,875
Amount due to related party (included in accounts payable and accruals)	157,223
Transactions included in the income statement:	
Murabaha income	58,887
Wakala income	363,356
Realised gain from sale of investment carried at fair value through income statement	39,809
Unrealised gain from investment carried at fair value through income statement	9,622
Key management compensation	
Salaries and other short term benefits	3,670
Employees end of service benefits	-

11 COMMITMENTS

At 31 December 2005, the company had commitments in respect of construction and development of property amounting to KD 11,670.

12 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the possibility that the value of a financial instrument will change due to movements in market rates of interest.

The company is exposed to interest rate risk on its interest bearing assets. The effective interest rates related to the company's interest bearing assets are disclosed in notes 6 and 7.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due.

To limit this risk, assets are managed with liquidity in mind and management monitors liquidity on a daily basis by maintaining a healthy bank balance.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in a currency other than Kuwaiti Dinar. The company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

12 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company is not exposed to significant credit risk as bank balances are placed with creditworthy financial services institutions and receivables are due from a related party.

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances, cash, investments and receivables. Financial liabilities consist of payables and accrued expenses.

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