ANNUAL REPORT 2011

Potential
At Work

البحرين الأولى
First Bahrain

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H.H. Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah

Amir of the State of Kuwait

H.H. Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait


13
12
11
10
ROYAL
0,7 ZÁRTECT VELKŰLI
ROYAL 4db
0,7 ZÁRTECT NÉLKŰLI
ROLS 5db

البحرين الأولى
First Bahrain

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Company Profile

First Bahrain Real Estate Development Co. K.S.C. (First Bahrain) is an innovative real estate investment company, dedicated to achieving sustainable returns through collaborative relationships. First Bahrain creates enduring value for all stakeholders with a demand-driven investment approach. Operating out of offices in Kuwait and Bahrain, the Company is strategically positioned to execute projects across the GCC.

Established in October 2004 in Kuwait as Baraq Al Khaleej Holding Company, with a paid up capital of KD 1 million, the corporate name was later changed to First Bahrain Real Estate Development Company, and the paid up capital increased to KD 30 million. In 2007, First Bahrain opened an office in the Kingdom of Bahrain. Since its inception the Company has been guided by the principles of Islamic Sharia in all its daily operations and business interests.

The principal shareholders of First Bahrain are leading regional institutions and high-profile real estate investors, including KAMCO, Housing Finance Co. "Iskan," Action Group Holdings Co. and Wafra International Investments Co.

First Bahrain owns or holds rights to over 1,000,000 square feet of strategically located lands in the Kingdom of Bahrain.

The Company's inaugural project, Majaal, a Small-to-Medium-sized Enterprise (SME) focused warehousing and industrial business park, is located at the Bahrain Investment Wharf (BIW), within Salman Industrial City, near to both the new Khalifa bin Salman Port and the Bahrain International Airport. Majaal has been operational and generating positive cash flow since February 2010. Full occupancy was achieved in September 2011.

Construction on the following Phase of the development is scheduled to begin in 2012. The three new buildings, which will double the leasable area to nearly 260,000 square feet, are expected to be open for business in 2013. Expansion into Saudi Arabia is also being explored.

All real estate is valuable, but vacant land represents potential that is unrealised. Vision is required to recognise such potential. Entrepreneurial leadership, commitment, integrity and hard work are all necessary to activate that potential. First Bahrain puts potential to work in order to realise the vision of all our stakeholders.

Our Vision

Our vision is to realise value potential.

Our Mission

With entrepreneurial vision and innovation, First Bahrain exists to initiate and orchestrate real estate developments, which bring enduring value and sustainable prosperity to both our communities and to our shareholders, through partnerships and investments made in accordance with the principles of Sharia.

Report of the Board of Directors

On behalf of the Board of Directors, it is my duty and responsibility to present this Annual Report and Consolidated Financial Statements of First Bahrain for the year ended 31 December 2011.

As you review the details in the pages, which follow, you will see that First Bahrain is reporting a modest loss for the year, in the amount of KD (505,573), due to a reduction in the value of its land holdings in Bahrain. While this loss is reflective of the uncertainty that plagued the region and particularly Bahrain this past year, I am pleased to state that the Company's actual performance was anything but uncertain. In the face of great stress, the Company executed its plans, successfully managing tenant turnover and filling all vacancies to achieve 100% occupancy at Majaal, our SME-focused industrial development.

Due to concerns regarding the political crisis, which gripped Bahrain for much of the year, the Board elected to defer plans for the expansion of Majaal to early 2012. As we see stability holding and confidence returning to the economy of the region, we do feel the time is right to continue the development of this worthy project, the first phase of which is scheduled to yield a net operating income of KD 325,000 in the year ahead. The current plans are to double the size of the existing development in 2012, leaving the final third of the available property for expansion in the years following. In addition to expansion within Bahrain, the Board has also directed the commencement of feasibility studies to support the case for regional growth of Majaal into the Kingdom of Saudi Arabia.

Year of Challenges

Globally, 2011 proved to be a very challenging year for a world that has yet to recover fully from the financial crisis in 2008.

Across the Arab world, the challenges were more political than economic. A great wave of change swept through the region where protest movements and uprisings saw changes of long-standing governments in Tunisia, Egypt, Libya and Yemen. Significant unrest and conflict continues in Syria, and to a much lesser extent, in Bahrain. In all these countries, the way forward is not yet clear. From an investor perspective, this all implies uncertainty and risk.

Here at home, the Kuwait Stock Exchange (KSE) reflected the difficulties of the year in economic terms. The KSE Market Index steadily lost value across the year, finishing down by 1,141 points, or 16.4% on the year at 5,814. Likewise, the KSE Real Estate Index was down 320 points, for a loss of 13.6% at 2,036 on the year. In contrast, thanks primarily to the strength of the Euro relative to the US Dollar, the Kuwaiti Dinar appreciated relative to other GCC currencies by 0.7%.

The regional real estate market is starting to see some signs of improvement. With declines in rentals slowing in Abu Dhabi and Dubai, data suggests the bottom of the rental cycle is near, according to reports by global property firm, CBRE. In Bahrain, despite significant oversupply and weak demand in both the office and residential sectors, CBRE cites "cautious optimism" given that GDP growth reached nearly 2% for 2011, despite the troubles, and is expected to climb to 3% in 2012, according to a report by ratings agency Moody's.

With respect to industrial property in particular, CBRE sees an increase in absorption rates of existing stock globally, which is likely to trigger new development in response to supply shortages. Our own growth plans for Majaal are in line with this observation, as the Bahrain market has seen significant absorption of the existing industrial stock throughout the year. Majaal regularly takes inquiries for additional space; further evidence that the industrial sector of the real estate market is well ahead of the residential and office sectors on the rental cycle. As such, the industrial sector is a good choice for defensive investment strategies under the current market conditions.

Rental prices did suffer in the months immediately following the crisis, however rates were trending back upwards by year end, thanks to the shortage of acceptable supply. The events of the year also highlighted the need for additional infrastructure to be built within Salman Industrial City, located adjacent to the new Khalifa Bin Salman Port, given that nearly all other industrial areas in the country lie in close proximity to the areas which experienced unrest. Conversely, the Bahrain Investment Wharf (BIW), the private industrial park where Majaal is located, was a sea of tranquillity, enabling manufacturers to perform their work without interruption or fear of access to supply lines given the direct access to the port.

Despite the fact that Foreign Direct Investment (FDI) in Bahrain declined throughout the year, Majaal continued its record as an active facilitator of FDI, seeing multiple new entities choose Majaal for their first location in Bahrain. The small unit sizes and exemplary customer service continues to set our SME-focused offering apart. Majaal's business model with its value added services in support of its high quality industrial workspace has made it a leading choice for businesses starting up in Bahrain. Such efforts have positioned the development as the most recognized industrial facility in the country, drawing praise from even H.R.H. The Prime Minister of Bahrain during his visit to the Majaal booth at the Gulf Industry Fair last February.

Financial Summary

As stated previously, the Company is reporting a loss of KD (505,573) due to a reduction of value of the Company's investment property by KD (416,768). This loss in the value of the Company's undeveloped industrial and residential lands reversed the gains of KD 478,801 from the prior year, which reflected the valuation gain on the completed Majaal development. Investments held at fair value, largely illiquid, continued their slide, losing KD (172,507) in 2011 after having lost KD (214,468) in 2010.

Aside from these two non-operational and unrealised losses, the remainder of the Company's efforts resulted in a net gain of KD 83,700, a particular accomplishment when compared with the operating loss of KD (179,481) in the prior year. The primary difference in these results was the growth of the Company's net rental income, due to the success of Majaal's leasing efforts. In 2011, the net rental income rose to KD 259,638 over just KD 15,912 in the previous year. The other factor in this positive result was the result of a concerted effort to reduce costs, trimming the operating expenses from KD (640,353) to KD (569,990), for a reduction of 11%. Extending these cost cutting efforts even further, late in the year, the Board took a decision to downsize and relocate our offices in Kuwait. This action was accompanied with a decision to further reduce costs through making several support staff positions redundant.

With respect to the Balance Sheet, the value of the investment properties declined during the year, dropping to KD 31,076,161 from KD 31,655,883 in the prior year. As a result, non-current assets contracted to KD 31,182,078 from KD 31,735,165 in 2010. Likewise, total assets stood at KD 40,020,513 at year end, down from KD 41,181,387 in the prior year. The reduction of the value of the Bahraini Dinar by 0.7% relative to the Kuwaiti Dinar over the year contributed to this reduction in asset values, given that all the Company's investment properties are located in Bahrain.

In the midst of the early days of the crisis in Bahrain, the Company made a very strong statement to the business and banking community, confirming that it was healthy and able to meet all commitments. When many companies were having liquidity crises, First Bahrain was able to pay at maturity the full balance of its KD 428,048 construction loan for Majaal, thanks to strong operational management, planning and foresight. Accordingly, total liabilities decreased substantially during the year, dropping to KD 686,096 from KD 1,162,830 in 2010.

This reduction in liabilities emphasized the solid liquidity position of the Company, made even stronger by the new rental inflows. The resulting ratio of current assets to current liabilities rose to 87.2 at year end, over 16.2 in 2010. When comparing current assets to total liabilities, the ratio still grew to a very healthy 12.9, increasing from 8.2 at the end of 2010. The Company is in a very nimble position with 20.5% of its assets being in cash or cash equivalents, when including the Company's Islamic finance facilities which all hold less than 90 day maturities.

Such liquidity metrics give continued evidence of the Company's consistent, conservative and well-controlled approach to the management of the resources entrusted to it by the shareholders. The Company continues to stand apart from its peers through its faithful commitment to its Sharia-guided investment philosophy and focus on domestic demand driven developments designed to bring enduring value and sustainable prosperity.

Plans for 2012

As we look ahead to 2012, we are humbled and reminded that though man makes plans, the future is in God's hands. Despite my optimism in discussing our plans for 2011 in last year's report, the Board of Directors felt compelled to exercise caution in its decision to delay the expansion of Majaal, as we waited to see how Bahrain would emerge from its crisis. Likewise, our current plans call for a modification of the development strategy from our previous plans, choosing instead to replicate the existing development with its smaller unit sizes relative to the higher specification building we described last year, the plans for which remain part of our development goals. It is just the order of construction, which has changed. We believe this change will help the Company manage its development risk better in the near term while there is some uncertainty remaining in the political arena.

Report of the Board of Directors (continued)

The next phase of Majaal will see the leasable area of the development more than double to nearly 260,000 square feet. The Company will look to the next phase to expand its revenue base; with expectation to generate new cash flow from the beginning of 2013, once the year-long construction programme is complete.

The Company has also engaged Ernst & Young to conduct a feasibility study to expand Majaal regionally, initially into Saudi Arabia. Investment banks continue to express interest in our business model and proven track record for this defensive sector real estate product. Majaal's live operations and measurable cash flows enhance this offering substantially. In preparation for this growth, the Majaal trademark has also been registered across the GCC.

Beyond Majaal, First Bahrain is exploring ways to activate its investment property in the Janabiya area of the Kingdom of Bahrain. A new road has been paved adjacent to the property during the year, enhancing its value. The residential market continues to experience oversupply and thus we are reviewing alternative land uses.

Despite these challenges, I have great hope in the opportunities discussed above and their prospects for success. I firmly believe that the Company has a bright and successful future ahead, which it is well positioned to grasp, thanks to our prudent and measured approach and the hard work of our experienced and proven management team.

Transitions & Acknowledgments

The year has seen several transitions in the membership of the Board of Directors. I would first like to congratulate Ms. Rasha Al Awadi on her promotion to Vice Chairman and thank her for her support in chairing the Audit Committee, overseeing a regime of controls, which have yielded the aforementioned positive results. I would like to welcome our newest director, Mr. Abdul Wahab A. Al-Shaya, the SVP for Shareholder Relations and Board Secretary at Iskan. We will benefit from his wisdom and insight. At the end of the year, we also accepted the resignation of Mr. Khalifa Al-Tararwa. We thank him for his valued contributions to the Board these past three years.

In closing, on behalf of the Board of Directors, I extend my sincere best wishes to H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Amir of the State of Kuwait, and to H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of the State of Kuwait, for their wise leadership and dedication to advancing the prosperity and promising future of the State of Kuwait.

Likewise, I express appreciation to all governmental ministries, supervisory bodies, and regulatory authorities of the State, for their constructive support and sage guidance.

Finally, I also offer my sincere gratitude to our shareholders for their continued faith and confidence; to our tenants for their loyalty and trust; to our business partners for their counsel and support; and to our management and staff for their professionalism and dedication to duty.

May Almighty God grant us all sustained success and prosperity.

Salah Ahmed Al-Wuhaib
Chairman

Special Feature

Project Profile – Phase I:

Project:
Majaal Warehousing Development – Phase I

Target Market:
Small to Medium Enterprises

Location:
Bahrain Investment Wharf, Salman Industrial City, Kingdom of Bahrain

Value:
US$ 15 million

Leasable Area:
130,000 square feet

Current Tenants:
20

Occupancy Rate:
100%

Average Lease Term:
45 months

The initial phase of First Bahrain's inaugural project, an SME-focused warehousing and logistics facility at BIW, was completed on time and on budget as 2009 drew to a close. The first three buildings of the development offer nearly 130,000 square feet of leasable warehouse space in units, which start at 2,700 square feet and upwards.

The first tenants occupied the facility in February 2010. The facility had reached full occupancy by September 2011. The diverse and stable tenant community is comprised of 20 different companies, with leases ranging from one to 15 years; the average lease is 45 months in length. First Bahrain is proud of the tenant mix we have secured, with both established local organisations, regional and international companies wishing to set up their headquarters at Majaal. In this respect, Majaal has facilitated Foreign Direct Investment (FDI), advancing the economic goals of the government and receiving the recognition and attention of the Bahrain Economic Development Board, the Minister of Commerce and Industry and even H.R.H. The Prime Minister of Bahrain, as each had interactions with Majaal throughout the year.

Majaal is uniquely positioned, offering high specification facilities and ready to run workspaces in unit sizes that support growing businesses. Majaal has been purpose-built and offers tenants an unobstructed workspace lending itself perfectly to customisation for existing needs, as well as presenting options for expansion as businesses grow.

Majaal caters to the increasing warehousing needs of SMEs, which constitute the engine of growth for every economy. Majaal aims to raise the bar for warehousing developments by providing modern spatial solutions designed to international standards, complemented by a wide range of value-added services, including 24/7 security, state-of-the-art Information and Communication Technology (ICT), assistance with fit-out works, and leasable materials-handling equipment such as forklift trucks.

The complex is situated at BIW, a landmark US$ 1.6 billion mixed-use industrial, logistics, commercial development, covering 170 hectares in the newly designated Salman Industrial City. BIW is strategically located near Bahrain International Airport and the new deep water Khalifa bin Salman Port, which opened in April 2009. With easy access to the city centre, the King Fahd causeway to Saudi, and the planned Friendship causeway to Qatar, the site is well connected to all transport hubs.

Special Feature

Majaal At Work

With the facility now fully occupied, Majaal has been transformed into an active and trading business community. Originally conceived as a development which would facilitate the needs of Small to Medium sized Enterprises (SMEs) operating in the industrial sector, Majaal is realising its potential every day as its twenty tenants manufacture and distribute goods to the local market.

Two keys to Majaal's success are the flexibility of its space, which can be transformed to meet multiple requirements, and the small unit sizes, which are accessible to growing businesses. This flexibility has helped facilitate the diversity present in Majaal's tenant mix, which represent a broad range of business sectors and activities. One of the manufacturers has deployed a very high technology solution to address a regional market gap. Several others are doing light assembly work with skilled craftsmen. We have a printing press and marketing production company and a number of FMCG (Fast Moving Commercial Goods) distributors. Other companies use the storage space for archival purposes. In all cases, they have control over their own units, which allow controlling the environment all these companies operate within, Majaal offers a full suite of security services, including a comprehensive CCTV network along with a 24/7 manned uniformed presence, provided through global security firm G4S, gives our tenants the peace of mind they need. The security arrangements were clearly part of the calculus in many of our tenants' decisions to choose Majaal over alternate properties.

As Majaal expands, the three new buildings will double the amount of leasable area to a total of nearly 260,000 square feet. In this project, First Bahrain is building more than just a collection of warehouses. Rather, a unique and timely business is being built in Majaal Warehouse Company. Recognising a gap in the market between full-service third-party logistics (3PL) operators and standard warehouse sheds with no services or security, First Bahrain has created both a development to cater to this market need along with a company to operate that development.

Illustrative of the Company's entrepreneurial, sustainable and demand-driven approach to real estate development, Majaal favourably positions First Bahrain to earn future revenues from both development and sale or lease of buildings, along with the provision of value added facility management services. With a strong business model and brand identity, Majaal is poised for regional expansion.


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Executive Management Review

2012 was all about growing revenue from our internally developed rental properties as we put our potential to work. Average occupancy at our SME-focused industrial development, Majaal, increased to 82% in 2011 compared with 18% in 2010. Indeed, at year end Majaal had achieved 100% occupancy rate.

The success of our leasing efforts has come in the midst of a very difficult year for Bahrain, both economically and politically, yet in the midst of these challenges, the First Bahrain team demonstrated that it can execute on its plans and deliver solid results with great skill and professionalism.

While these achievements are overshadowed in the financial statements contained in this annual report; due to the unrealised losses from reductions in the value of our undeveloped lands, the overall story for the Company is positive. In addition to the significant gains in rental income, a firm regime of cost controls enabled us to reduce our operating expenses by 11% over last year. Further actions taken at year end will reduce costs even more in 2012 through a downsizing of our Kuwait office and the associated redundancy of several support staff positions.

A Promising Start

The year began with much optimism on the back of a major tenant signing, where we secured the long term cash flow from one third of the Majaal facility with a 15 year lease to an innovative manufacturing company backed by two local investment banks. This signing, along with four others in the first six weeks of the year brought the occupancy rate up to 75%. This positive momentum attracted attention from the media, including articles in Construction Week magazine and a live interview on CNBC, affirming First Bahrain's position as a market leader among real estate development companies. Links to these and other such stories are catalogued on our website at www.firstbahrain.com. I invite you to visit the Press & Media page throughout the year for stories about our progress and achievements.

The Company participated in the Gulf Industry Fair in early February, a major exhibition hosted in Bahrain with focus on the region's industrial and manufacturing sectors. At the event, Majaal publicly introduced the design model for the Phase II expansion, the architectural renders of which were displayed in last year's annual report. The planned growth for the development and its commitment to supporting SMEs from the industrial sector of the economy drew praise from H.R.H. The Prime Minister of Bahrain during an extended visit he paid to the Majaal booth at the Fair.

Focus in the Face of Turbulence

The following week, however, events began to unfold in Bahrain, which undermined political stability and investor confidence in the country. As the crisis deepened over the following month, the Board of Directors exercised wisdom and restraint in postponing the proposed expansion of Majaal. While the security situation was quickly stabilized, the resulting shock to the economy put local companies under significant financial stress, among them being several of our tenants at Majaal.

In the face of this significant turbulence, our team maintained tremendous focus. Six new leases were signed during the second quarter as we demonstrated that the high quality of our facility, its specifications and location in a clean environment, close to the new Khalifa bin Salman Port and far from any trouble areas, combined with our commitment to customer service, still commanded a market premium under these difficult conditions. In fact, demand increased as many firms re-evaluated their current facilities, given that the older industrial areas on the island of Sitra lay in the midst of one of the countries more significant trouble zones. In contrast, BIW remained a peaceful and productive alternative throughout the year. Proactive management of tenant relationships led us to arrange for the smooth and early departure of a few of our financially stressed tenants. The team's prompt replacement of these leases maintained our strong and growing cash flow throughout the year.

In the midst of this environment, as the local market was experiencing liquidity constraints, the Company faced its first loan maturity in April when a KD 428,048 note used to fund our land acquisition at BIW became due and payable. In contrast to the difficulties around us, we made the payment in full on the due date, giving testimony to the health of the Company and the professionalism of our liquidity management. As a result, later in the year, we were able to secure a commitment from our bank, Kuwait Finance House, to fund up to KD 1,500,000 towards the construction of the next phase of the development.

By the time the second quarter ended, the occupancy rate had risen to 83%. By the end of the third quarter, thanks to another major tenant signing, this time with King Hamad University Hospital, Majaal achieved full occupancy. At year end, 14 out of Majaal's 20 tenants had signed their leases during 2011. Several of these new tenants also represented Foreign Direct Investment (FDI) into Bahrain, showing again that Majaal's high quality space and strong customer service continues to represent value to investors who are looking to setup new operations in the country. At year end, Majaal's occupancy rate stood at 100%, a monumental result in the midst of such a difficult year.

Moving Forward

With full occupancy achieved at Majaal and progress from a number of reform initiatives beginning to take hold in Bahrain, the Board of Directors will be considering renewal of the planned expansion for Majaal in 2012. It is expected that due to present market conditions, the Company will next develop three buildings identical to the existing facility, continuing its successful market differentiation strategy by offering unit sizes that are as much as ten times smaller than competitive properties. Offering such a unique and under-supplied product has enabled Majaal to capitalize on existing demand and charge a premium for the space relative to alternative solutions presently available. With the planned expansion, Majaal will double both the leasable area available and expected revenue from rental operations over the next two years. Additional cash flows will begin in 2013 after the year-long construction programme is complete.

Beyond expansion on our existing lands in Bahrain, we are actively preparing for Majaal's regional growth. Trademark applications have been successfully made in all GCC countries, ensuring protection of the brand. Ernst & Young is actively at work on a feasibility study for entry into the Kingdom of Saudi Arabia. A strong potential partner has been identified and discussions are at an advanced stage.

As we look to grow, Majaal continues to attract interest from investment banks, thanks to the value we have created through our success in the leasing process, our entrepreneurial vision expressed in the identification of this market gap and development of a business model to address it, and our growing brand equity, cultivated through a campaign of public relations and thought leadership.

Beyond Majaal, First Bahrain is actively working on a plan to develop a portion of its property in the Janabiya area of the Kingdom of Bahrain, which is zoned for a mixed-use commercial and residential project. Given the current over-supply in the local housing market, we are looking at a defensive short to medium term investment, which would help generate rental cash flow while enhancing the value of the remaining plot. Early studies indicate that a sports facility, particularly one catering to youth, would be a very defensive, yet profitable investment in the current climate.

Our plans for the Company's strategic holding in Seef, a mixed-use commercially-zone property located across from the country's iconic City Centre Mall, remain on hold given the present oversupply in the office and hospitality markets. We will closely monitor the market and will be ready to move as opportunities come available.

As we press ahead confidently, yet cautiously in these difficult conditions, we will continue to exercise conservative self-discipline and fiscal restraint. We are committed to being good stewards of the resources entrusted to us by the shareholders. We appreciate your faith in us and we look forward to future success of the plans discussed as we seek to realise our potential and provide you with your just rewards.

Transitions & Acknowledgements

In conclusion, I extend my sincere thanks to the Board of Directors for their wise guidance in providing direction and accountability along with their enduring confidence in our professionalism and demonstrated ability to deliver positive results. I extend our warm appreciation to our business partners for their faithful support.

Finally, I offer my deep gratitude to each member of our staff. While we are sad to have said good-bye recently to several valued team members, I appreciate and celebrate your individual and collective contributions during these challenging and uncertain times and commend you for your unwavering loyalty and dedication to duty. You have done your work faithfully and the results described here are a testimony to your efforts.

I am hopeful as I look forward and expect that, working together by God's grace, we will achieve our dreams and aspirations during 2012 and beyond.

Amin Ahmed Al Arrayed
General Manager

Board of Directors

Mr. Salah Al-Wuhaib | Chairman

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Senior Vice President, Discretionary Portfolios, MENA Asset Management Dept., KIPCO Asset Management Co., KAMCO
Mr. Al-Wuhaib currently manages the MENA Asset Management Dept. at KAMCO. He is also a Board Member at Housing Finance Co. "Iskan." Mr. Al-Wuhaib previously worked with the Kuwait Fund for Arab Economic Development; Wafra Investment Advisory Group based in New York; and the Kuwait Investment Authority. Mr. Al-Wuhaib holds a Bachelors degree in Business Administration, majoring in Management, from Eastern Washington University, USA.

Ms. Rasha Al-Awadi | Vice Chairman, Audit Committee Chairman

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Senior Vice President – Asset Management &Investment Department, Housing Finance Co. "Iskan"
Ms. Al-Awadi is the Senior Vice President for Asset Management and Investment at Housing Finance Co. "Iskan." She has previously worked for Global Investment House, Kuwait Investment Co. and Kuwait Foreign Trading, Contracting and Investment Co. Her qualifications include Accredited Professional Accountant and Certified Global Investment Analyst from the American Institute for Financial Business and Research; and Certified Internal Audit from the American Institution of Internal Auditors; and Arbitrator from the Kuwait Commercial Arbitration Centre. Ms. Al-Awadi is a Member of the Kuwait Association of Accountants and Auditors. Ms. Al-Awadhi holds a Bachelors degree in Accounting and Auditing from Kuwait University.

Mr. Abdulkarim Al-Khulaifi | Director

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Manager, Department of Public Relations and Information, PIFSS
Mr. Al-Khulaifi is Manager in the Department of Public Relations and Information for the Public Institute for Social Security (PIFSS). With more than 32 years experience including senior positions at PIFSS in Human Resources and Public Relations along with posts as lecturer at both the Public Authority for Applied Education and Training and the Civil Service Commission. Mr. Al-Khulaifi conducted numerous academic studies in the field of enhancing client's service. He is a member of the International Social Security Association; the International Public Relations Association; the Gulf Cooperative Council's Technical Committee for Retirement; and serves as Secretary of the Kuwait Public Relations Society. Mr. Al-Khulaifi holds a Bachelors degree in Business Administration from Kuwait University.

Mr. Talal Al-Omaim | Director

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General Manager, Al-Iskan Real Estate Co.
Mr. Al-Omaim is currently serving as General Manager of the Al-Iskan Real Estate Co. (an Iskan subsidiary). Before joining Iskan, he worked with Burgan Bank and the Bank of Kuwait and the Middle East (BKME). Mr. Al-Omaim holds a Diploma in Professional Property Financing and Evaluation.

Mr. Khalifa Al-Tararwa | Director

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Vice President, Real Estate Services Administration, Housing Finance Co. "Iskan".
Mr. Al-Tararwa is currently the Vice Chairman of the Housing International Real Estate Development Co., and until recently Vice President – Real Estate Services Administration at Housing Finance Co. "Iskan." He previously worked for the Kuwaiti Fund for Development. His career spans 26 years in the Kuwait real estate market, including extensive experience in real estate investment and trading management, and information systems management. Mr. Al-Tararwa holds a Bachelors degree in Computer Science from Ashland University, USA..

Mr. Ali Said Al-Mahri | Director

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General Manager – Oman Branch, Action Group Holdings Co.
Mr. Al-Mahri is currently General Manager - Oman Branch for Action Group Holdings Co. where he also serves as supervisor for the United Arab Emirates branch. Mr. Al-Mahri is a Board Member of Global Housing Real Estate Development Co. in Kuwait. He has 11 years experience in finance within the government sector. A Fellow of the Chartered Accountants Association, Mr. Al-Mahri holds a Bachelors degree in Economics and Accounting from University of Jordan and a Diploma in Military Science from Royal Military College, United Kingdom.

Mr. Abdulwahab Abdulla Al-Shaya | Director

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Senior Vice President for Shareholders Affairs and Secretary to the Board of Directors, Housing Finance Co. "Iskan"
Mr. Al Shaya is the Senior Vice President for Shareholders Affairs and Secretary to the Board of Directors, Housing Finance Co. "Iskan" and General Manager to an Iskan subsidiary. He previously held the position of Senior Consultant to the top management of Kuwait Airways after he had held a managerial position to several directorates at the company and that of Administrative Affairs Manager at the Touristic Enterprises Company. His extensive work experience in the field of Business Management extends over a distinguished career of 35 years. Mr. Al Shaya holds a Bachelor's degree in Commerce, Accounting and Business Administration from the University of Kuwait.

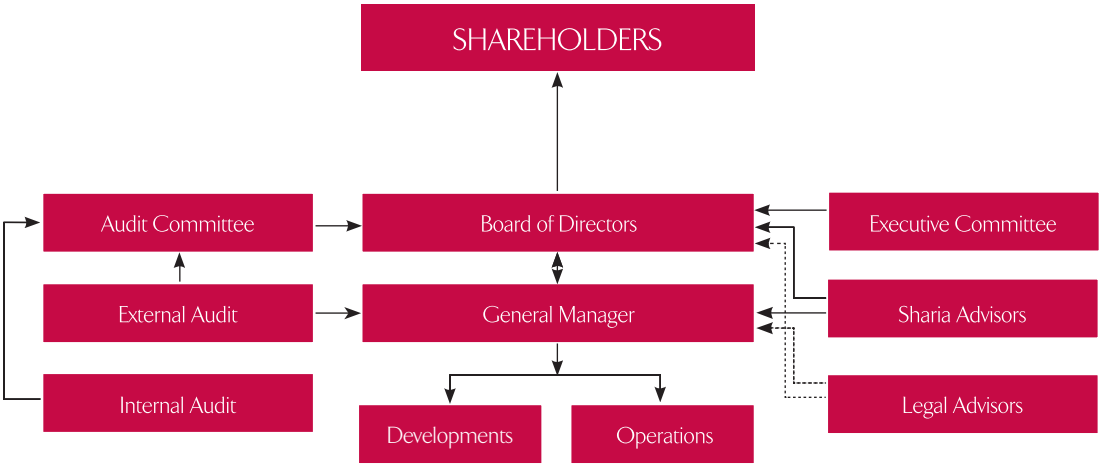
Corporate Governance

First Bahrain recognises the importance of sound corporate governance as a critical factor in attaining fairness for all stakeholders, enhancing shareholder value, and achieving organisational integrity and efficiency. The Company is committed to full compliance with the appropriate rules and regulations of relevant regulatory authorities in those jurisdictions where it operates.

The Company has a corporate governance structure in place that clearly segregates organisational functions and responsibilities. This structure reflects the division of roles and responsibilities between the Chairman of the Board, the Board of Directors and the Board Committees; the General Manager and the Executive Management team; and those corporate functions, such as Compliance, Internal Audit and Risk Management, which report through relevant Board Committees to the Board.

The Board comprises seven Directors, whose appointment reflects the shareholding of the Company. The Directors have a diverse range of skills and experience. Each Director brings independent judgment and considerable knowledge to the Board's discussions. Their profiles are listed separately in this Annual Report. The Board is supported by two committees – the Executive Committee and the Audit Committee – together with Sharia advisory services from Al Mashora and Al Raya for Islamic Financial Consulting.

The General Manager, supported by the Executive Management team, is delegated by the Board with responsibility for the day-to-day management of the Company. The Executive Management team is comprised of well-qualified professionals with regional and international career backgrounds, and relevant experience in key areas such as banking, investments, real estate, and business administration. Their profiles are listed separately in this Annual Report.



Risk Management

The Board has established a risk management framework for the Company that clearly defines roles, responsibilities and reporting lines. Primary responsibility for managing risk rests with the Executive Management, while the Board, through its Audit Committee, retains ultimate responsibility for risk management.

One of the cornerstones of the Company's risk management approach is a well-defined system of delegated authorities with respect to the commitment of capital. Its investment approval process brings rigour to the selection, assessment and approval of risks assumed under each of the Company's principal investment activities. Matters such as legal, accounting and general risk assessment are considered in each case.

The Company's Internal Audit function, performed by Protiviti, a global internal audit and risk consulting firm, provides independent reporting to the Audit Committee with respect to the management of risk, and also provides comment on the effectiveness of the design and operation of controls across the Company.

The main risks to which the Company is exposed are credit risk, liquidity risk and market risk, the latter comprising profit rate risk, foreign currency risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Company's strategic planning process.

Additional information on specific risk exposures is included in the Notes to the Consolidated Financial Statements in this Annual Report.

Executive Management

Amin Al Arrayed | General Manager

Mr. Al Arrayed has skilfully provided wise and stable leadership to the Company throughout a period of tremendous market volatility over the past five years. He brings an in-depth knowledge of banking, financial services and real estate developed over a 15 year career. Prior to being selected to lead First Bahrain, he was Head of Retail and Placement at Reef Real Estate Finance Company, and Regional Head of Retail Banking at BBK, in the Kingdom of Bahrain. Mr. Al Arrayed holds a Master's degree in Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree in Economics from the University of Redlands, California, USA.

Daniel Taylor | Head of Operations & Finance

An entrepreneur, with a diverse career spanning 23 years, Mr. Taylor has a wealth of operational and management experience. At First Bahrain, Mr. Taylor leads the Operations and Finance teams, overseeing the planning and execution of the Company's activities; contributing directly to the achievement of the Company's strategic objectives. Prior to joining First Bahrain, he was General Manager of New York Coffee, and General Manager of Mariner Technologies, where he was the chief architect of the GCC business news portal, TradeArabia.com.
A member of the Urban Land Institute and the American Chamber of Commerce in Bahrain, Mr. Taylor holds a Master's degree in Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree from the University of Virginia, USA.

Yasser Abu-Lughod | Head of Development

Mr. Abu-Lughod brings over 26 years of international project management and engineering experience to the team at First Bahrain where he serves as the Head of Development, leading the Company's development efforts from concept to construction to commissioning and beyond. Prior to joining First Bahrain, Mr. Abu-Lughod worked as senior project manager for Mace International where he managed the infrastructure design and construction phases for Bahrain Bay Development project. He also held several senior posts at VicRoads in Victoria, Australia and GHD Global where he played a key role in the success of infrastructure projects in Al Khore Qatar. Mr. Abu-Lughod holds a B.Sc. in Civil Engineering from University of Wisconsin, Milwaukee; USA. He is a Charted Professional Engineer and a member of the Institution of Engineers in Australia, a holder of the Project Management Professional certification (PMP) and a member of the Project Management Institute (PMI).


03
MAJAAL

Al Mashora & Al Raya Sharia Advisory Board Report

Praise is only to Allah and Peace and Blessing on the last Prophet, his family and companions.

To the Shareholders of First Bahrain Estate Development Co. (KSC)

Allah's Peace & Blessings on you,

As per Engagement Contract Signed with us, we have audited the contracts and transactions executed by the company during the fiscal year ended on 31/12/2011 to express our opinion on extent of the company compliance with the provision of Islamic Sharia as described on the opinions, guidelines and Sharia decisions issued by us.

Compliance with implementation of contracts and transactions in accordance with the provisions of Islamic Sharia shall be the responsibility of the company management. However, our liability is limited to expression of independent opinion on the extent of the company compliance with same based on our audit.

We have conducted our audit according to the controls criteria issued by Accounting & Audit Panel for Islamic Financial Institutions which require us to plan and implement audit procedures in order to obtain all information, interpretations and declarations that we deem necessary for providing us sufficient evidences to give reasonable confirmation that the company is in compliance with the provisions of Islamic Sharia as stated by us.

We have conducted our audit on the basis of examining samples of each type of contracts and transactions executed during the period. We believe that audit activities we have undertaken provide a proper basis for expressing our opinion.

In our opinion:

- The company, during the specified fiscal period, has conducted its duties towards execution of contracts and transactions in accordance with the provisions of Islamic Sharia as described on opinions, guidelines and sharia decisions by us.
- The company is not authorized to perform Zakat and the responsibility of the same shall reside in the shareholders.

Allah's Peace & Blessings may be upon you.

Sharia Advisory Board:

Prof. Abdul Razzaq Khalifa Al-Shaiji Board Chairman	Mr. Mohammad Al Jaser Member	Mr. Abdul Aziz Al Jarallah Executive Member

Independent auditor's report

The Shareholders
First Bahrain Real Estate Development Company K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 our 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, we consider 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year of the Kuwait Commercial Companies Law of 1960, as amended, or the Company's articles and memorandum of association, that would materially affect the Group's activities or its consolidated financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International
Kuwait: 25 March 2012

Consolidated Financial Statements

Contents

Consolidated statement of financial position

as at 31 December 2011

	Note	2011 KD	2010 KD
Assets			
Investment property	5	**31,076,161**	31,655,883
Furniture and equipment		**105,917**	79,282
Total non-current assets		**31,182,078**	31,735,165
Trade and other receivables	6	**177,901**	130,337
Investments at fair value through profit or loss	7	**438,546**	630,546
Islamic finance facilities	8	**7,700,000**	8,000,000
Cash on hand and at banks	8	**521,988**	685,339
Total current assets		**8,838,435**	9,446,222
Total assets		**40,020,513**	41,181,387
Equity and liabilities			
Equity			
Share capital	9	**31,500,000**	31,500,000
Statutory reserve	10	**1,467,000**	1,467,000
Foreign currency translation reserve		**(520,637)**	(342,070)
Retained earnings		**6,888,054**	7,393,627
Total equity		**39,334,417**	40,018,557
Non-current liabilities			
Long-term murabaha payable	11	**557,071**	561,169
Provision for employees' end of service indemnity		**27,642**	18,756
Total non-current liabilities		**584,713**	579,925
Current liabilities			
Short-term murabaha payable	11	**-**	428,048
Trade and other payables	12	**101,383**	154,857
Total current liabilities		**101,383**	582,905
Total liabilities		**686,096**	1,162,830
Total equity and liabilities		**40,020,513**	41,181,387

Salah Ahmed Al-Wuhaib
Chairman

Ms. Rasha Al-Awadi
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	Note	2011 KD	2010 KD
Income			
Change in fair value of investment property		**(416,768)**	478,801
Net rental income	13	**259,638**	15,912
Realised loss on sale of investments at fair value through profit or loss		**(3,367)**	-
Unrealised loss on investments at fair value through profit or loss		**(172,507)**	(214,468)
Income from Islamic finance facilities		**464,877**	524,715
Dividends		**41,265**	-
Foreign exchange gain		**8,724**	21,123
Total income		**181,862**	826,083
Expenses and other charges			
General, administrative and marketing expenses		**(230,820)**	(241,379)
Depreciation		**(17,818)**	(53,005)
Staff costs		**(321,352)**	(345,970)
Finance costs		**(65,945)**	(69,673)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	(1,044)
Zakat		**-**	(1,161)
Board's remuneration	19	**(51,500)**	(29,000)
Total expenses and other charges		**(687,435)**	(741,232)
(Loss)/ profit for the year		**(505,573)**	84,851
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(178,567)**	(524,983)
Other comprehensive income for the year		**(178,567)**	(524,983)
Total comprehensive income for the year		**(684,140)**	(440,132)
(Losses)/ earnings per share (fils)	14	**(1.60)**	0.27

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2011

	Share capital KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2010	31,500,000	1,455,394	182,913	7,320,382	40,458,689
Total comprehensive income for the year					
Profit for the year	-	-	-	84,851	84,851
Other comprehensive income	-	-	(524,983)	-	(524,983)
Total comprehensive income for the year	-	-	(524,983)	84,851	(440,132)
Transfer to statutory reserve	-	11,606	-	(11,606)	-
Balance at 31 December 2010	31,500,000	1,467,000	(342,070)	7,393,627	40,018,557
Total comprehensive income for the year					
Loss for the year	-	-	-	(505,573)	(505,573)
Other comprehensive income	-	-	(178,567)	-	(178,567)
Total comprehensive income for the year	-	-	(178,567)	(505,573)	(684,140)
Balance at 31 December 2011	31,500,000	1,467,000	(520,637)	6,888,054	39,334,417

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2011

	Note	2011 KD	2010 KD
Cash flows from operating activities:			
(Loss)/ profit for the year		**(505,573)**	84,851
Adjustments for:			
Depreciation		**17,818**	53,005
Realised loss on investments at fair value through profit or loss		**3,367**	-
Unrealised loss on investments at fair value through profit or loss		**172,507**	214,468
Change in fair value of investment property		**416,768**	(478,801)
Finance costs		**65,945**	69,673
Provision for employees' end of service indemnity		**8,886**	7,175
Operating income/ (loss) before changes in working capital		**179,718**	(49,629)
Trade and other receivables		**(47,564)**	(32,643)
Islamic finance facilities		**-**	153,058
Trade and other payables		**(53,474)**	(685,625)
Net cash from/ (used in) operating activities		**78,680**	(614,839)
Cash flows from investing activities:			
Additions to investment property		**(54,933)**	(716,383)
Paid for purchase of furniture and equipment		**(44,453)**	(47,025)
Proceed from sale of investments at fair value though profit or loss		**16,126**	-
Net cash used in investing activities		**(83,260)**	(763,408)
Cash flows from financing activities:			
Net movement in murabaha payable		**(432,146)**	551,597
Finance costs paid		**(65,945)**	(69,673)
Net cash (used in)/ from financing activities		**(498,091)**	481,924
Net decrease in cash and cash equivalents		**(502,671)**	(896,323)
Net foreign exchange difference		**39,320**	(67,162)
Cash and cash equivalents at the beginning of the year		**8,685,339**	9,648,824
Cash and cash equivalents at the end of the year	8	**8,221,988**	8,685,339

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2011

1. Reporting group

First Bahrain Real Esate Development Company K.S.C. (Closed) ("the Company") was incorporated as a Kuwait Shareholding Holding Company on 5 October 2004. The Company is engaged in activities in accordance with Noble Islamic Shari'ah, which include:

- 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, and 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.

The Company's main office is at Al Khaleej Tower, 15th Floor, Abu Baker Al Sadeeq Street, Al Qibla, Kuwait.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group"). A list of subsidiaries follows:

Name of the company	Country of incorporation	Percentage of ownership	Principal activities
First Kuwait Al Seef Real Estate Development Company W.L.L.	Kingdom of Bahrain	100%	Real estate and investment activities
FB Janabiya Residential Development Co. W.L.L.	Kingdom of Bahrain	100%	Real estate and investment activities
Majaal Warehouse Co. W.L.L.	Kingdom of Bahrain	100%	Real estate and investment activities

Subsidiaries include shares of KD 519 as at 31 December 2011 (KD 519 as at 31 December 2010) which are registered in the name of others on behalf of the Group, and there are letters of renunciation in favour of the Group.

The total number of employees in the Group was 16 as at 31 December 2011 (16 employees as at 31 December 2010).

The consolidated financial statements were authorized for issue by the Board of Directors on 25 March 2012, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Committee of the IASB and the requirements of the Kuwait Commercial Companies Law of 1960, as amended, the Company's articles and memorandum of association and the Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared on fair value basis for financial assets and liabilities carried at fair value through profit or loss. Non-financial assets and liabilities are stated at amortised cost or historical cost as modified by the revaluation of investment property.

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group's presentation currency.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 4.

e) New standards, interpretations and amendments effective from 1 January 2011

The Improvements to IFRSs 2010 made several minor amendments to a number of IFRSs. None of the new standards, interpretations and amendments, effective for the first time from 1 January 2011, have had a material effect on the consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2011 include the Company and its subsidiaries referred to in note 1.

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power directly or indirectly to govern the financial and operating policies of subsidiaries so as to obtain benefits from their activities.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealized gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The consolidated financial statements are prepared using uniform accounting policies.

The subsidiaries' accounts are based on their management accounts for the year ended 31 December 2011. Total assets, liabilities and net loss of the subsidiaries as per these financial statements (after eliminations) amounted to KD 23,742,354 - KD 23,331 and KD 273,392 respectively.

b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary items denominated in foreign currencies which are stated at fair value are translated to the functional currency at the exchange rates ruling at the date of determining the fair value. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Kuwaiti Dinar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Kuwait Dinar at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income.

c) Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Fair value measurement on property under development is only applied if the fair value is considered to be reliably measurable.
When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

d) Furniture and equipment

Furniture and equipment are measured at cost less accumulated depreciation and impairment losses (see note 3(h)). Depreciation is calculated to write off the cost of furniture and equipment by equal installments over their estimated useful lives as follows:

Furniture and office equipment	5 years
Computers and electronics	3 years
Leasehold improvement	3 years
Fixtures	10 years

The useful life, depreciation method and residual value of furniture and equipment at the end of their useful lives are reviewed annually to ensure that the method and period of depreciation is in line with the expected pattern of economic benefits from items of furniture and equipment. A change in the estimated useful life of furniture and equipment is applied at the beginning of the financial year of change with no retroactive effect.

e) Receivables

Receivables are stated at cost less impairment losses (see note 3(h)). The Group's receivables include trade and other receivables and Islamic finance facilities.

f) Investments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value.

The amounts of each class of investments that has been designated at fair value through profit or loss are described in note 7.

Financial instruments at fair value through profit or loss are measured initially at fair value. Transaction costs on financial instruments through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments measured at fair value through profit or loss are measured at fair value with changes in their fair value recognized in profit or loss.

The fair value of financial instruments classified as financial assets at fair value through profit or loss is their quoted market price at the reporting date. If the quoted market price is not available, the fair value of the investment is estimated using generally accepted valuation methods such as discounted cash flow techniques or net asset value or market price of similar investments.

Financial assets at fair value through profit or loss are recognised or derecognised on the trade date i.e., on the date the Group commits to purchase or sell the investments.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and highly liquid financial assets with original maturities of less than three months.

h) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

i) Payables

Payables are stated at amortised cost. The Group's payables include trade and other payables and murabaha payable.

j) Provisions

Provisions are recognized in the consolidated financial statements when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

k) Provision for employees' end of service indemnity

Provision is made for employees' end of service indemnity payable under the Kuwait labour law in private sector, based on employees' accumulated periods of service and latest entitlements of salaries, or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment at the reporting date. Employees of the Group's subsidiaries in the Kingdom of Bahrain are entitled to post-service benefits under Bahrain laws.

l) Revenue recognition

- Rental income from operating leases is recognised on a straight-line basis over the lease term.
- Income from Islamic finance contracts and deposits is recognized on a time proportion basis to achieve fixed rate of return on outstanding balances for these transactions.
- A property is regarded as sold when the significant risks and returns have been transferred to the buyer. Any gains or losses on the disposal of investment property are recognised in profit or loss in the year of disposal.
- Dividends income is recognized when the Group's right to receive dividends is established.
- Other revenues and expenses are recognized on an accrual basis.

m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, with the exception of:

- IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statements, with earlier application permitted, and could change the classification and measurement of financial assets. The Group is currently considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- Consolidation Standards. A package of consolidation standards are effective for annual periods beginning or after 1 January 2013: IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosure of interests in other entities, consequential amendments to IAS 27 Separate financial statements, and IAS 28 Investments in associates and joint ventures. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

4. Use of estimates and judgments

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year, are as follow:

Valuations of property

The determination of the fair value of investment property requires the use of estimates. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment property under development. These estimates are based on local market conditions existing at the reporting date.

The continuing volatility in the global financial system is reflected in the turbulence in commercial real estate markets across the world. The significant reduction in transaction volumes continued this year. Therefore, in arriving at their estimates of market values as at 31 December 2011, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of the investment property in the short term.

Impairment 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.

Determining fair values of investments at fair value through profit or loss

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgments in applying the Group's accounting policies

The Group did not make any critical accounting judgements in 2011 or 2010.

5. Investment property

	Properties under development Industrial-Zoned Properties KD	Properties under development Residential-Zoned Properties KD	Land held for capital appreciation Commercial-Zoned Properties KD	Building held for rental income and capital appreciation Industrial-Zoned Properties KD	Total KD
At 1 January 2010	6,657,879	3,525,542	20,735,903	-	30,919,324
Additions during the year	686,239	-	-	30,145	716,384
Change in fair value	(302,847)	1,655	70,304	709,688	478,800
Transfers	(3,586,774)	-	-	3,586,774	-
Foreign currency translation differences	(2,929)	(638)	(455,058)	-	(458,625)
Balance at 31 December 2010	3,451,568	3,526,559	20,351,149	4,326,607	31,655,883
At 1 January 2011	**3,451,568**	**3,526,559**	**20,351,149**	**4,326,607**	**31,655,883**
Additions during the year	**31,647**	**-**	**-**	**23,286**	**54,933**
Change in fair value	**(135,718)**	**(222,450)**	**-**	**(58,600)**	**(416,768)**
Foreign currency translation differences	**-**	**(69,253)**	**(148,634)**	**-**	**(217,887)**
Balance at 31 December 2011	**3,347,497**	**3,234,856**	**20,202,515**	**4,291,293**	**31,076,161**

Investment property represents land acquired through the Group's subsidiaries in the Kingdom of Bahrain.

Murabaha payable is secured on investment property to the value of KD 3,224,175 (2010: KD 4,720,078) (see note 11).

The Group's investment properties were revalued at 31 December 2011 by independent professionally qualified valuation officers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

Investment property with a carrying value of KD 26,784,868 was not in use as of 31 December 2011 (2010: KD 27,329,276), as it was either held for capital appreciation or in the process of construction. The Group determined that the fair value of all of its investment property under construction at 31 December 2011 was reliably determinable on a continuing basis.

6. Trade and other receivables

	2011 KD	2010 KD
Loans and receivables		
Accrued income	**147,275**	86,289
Prepaid expenses	**30,626**	44,048
	177,901	130,337

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 17.

7. Investments at fair value through profit or loss

	2011 KD	2010 KD
Held for trading		
Quoted equity securities	**290,019**	350,023
Designated upon initial recognition		
Unquoted funds	**148,527**	280,523
	438,546	630,546

A majority of the Group's equity investments classified as at fair value through profit or loss are listed on the Kuwait Stock Exchange. A three percent increase in stock prices at the reporting date would have increased profit or loss and equity by KD 13,156 (2010: an increase of KD 18,916); an equal change in the opposite direction would have decreased profit or loss and equity by KD 13,156 (2010: KD 18,916). The analysis is performed on the same basis for 2010.

The Group's exposure to currency risk related to investments at fair value through profit or loss is disclosed in note 17.

8. Cash and cash equivalents

	2011 KD	2010 KD
Islamic finance facilities	**7,700,000**	8,000,000
Cash on hand and at banks	**521,988**	685,339
	8,221,988	8,685,339

Islamic finance facilities carry effective average annual profit rate of 6.5% (2010: 6.5%).

The Group's exposure to currency risk and a sensitivity analysis for financial assets are disclosed in note 17.

9. Share capital

The Company's authorized, issued and paid up share capital amounted to KD 31,500,000 distributed over 315,000,000 shares of 100 fils each (31 December 2010: KD 31,500,000 distributed over 315,000,000 shares).

10. Statutory reserve

In accordance with the Kuwait Commercial Companies' Law of 1960, as amended, and the Company's articles of association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend. No transfers made to the statutory reserve during the year due to losses.

11. Murabaha payable

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and bear average profit rate of 9.5% per annum (2010: 9.5% per annum). The murabaha is payable on different dates ending 26 April 2013 and are secured over investment property with a carrying amount of KD 3,224,175 (2010: KD 4,720,078) (see note 5). Amounts payable within the next twelve months are shown as current liability.

The Group's exposure to currency and liquidity risks related to murabaha payable is disclosed in note 17.

12. Trade and other payables

	2011 KD	2010 KD
Trade payables	**41,019**	38,107
Retention	**-**	92,281
Accrued expenses	**60,364**	22,264
Due to KFAS and Zakat	**-**	2,205
	101,383	154,857

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 17.

13. Net Rental Income

Rental income represents income generated from the Majaal warehouse development, which provides industrial facilities to a diverse mix of small to medium sized enterprises. Majaal is the inaugural project for First Bahrain, located at the Bahrain Investment Wharf within the Salman Industrial City of the Kingdom of Bahrain.

	2011 KD	2010 KD
Average Occupancy Rate	**82.3%**	18.9%
Gross Rental Revenue	**317,246**	55,886
Costs of Revenue	**(21,565)**	(9,029)
Operational Costs	**(36,043)**	(30,945)
Net Rental Income	**259,638**	15,912

This project is targeting small-to-medium sized enterprises by offering units as small as 250 m² with the option to build offices within the leased space. The Company started operation of the facility in February 2010 and the facility reached full occupancy by September 2011.

Costs of revenue include brokerage commissions on new leases and the master development service charge paid to the private industrial park, the Bahrain Investment Wharf. Operational costs include insurance, security, maintenance and other operational expenses required to run the facility.

The net rental income grew from KD 15,912 in 2010 to KD 259,638 in 2011 due to the increase in the occupancy rate.

14. Earnings per share

Earnings per share are calculated by dividing the net profit or loss for the year by the weighted average number of shares outstanding during the year, as follows:

	2011 KD	2010 KD
(Loss)/ profit for the year	**(505,573)**	84,851
Weighted average number of outstanding and paid shares	**315,000,000**	315,000,000
(Losses)/ earnings per share (fils)	**(1.60)**	0.27

15. Related party transactions

Related parties comprise the Group's shareholders who have representation in the Board of Directors, Directors, key management personnel and their close family members. In the normal course of business and upon management approval, transactions have been carried out during the year ended 31 December 2011.

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits and post-employment benefits. Key management personnel received total compensation of KD 153,200 for the year ended 31 December 2011 (KD 164,240 for the year ended 31 December 2010).

Other related party transactions

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2011	2010	**2011**	2010
	KD	KD	**KD**	KD
Islamic finance facility	**-**	-	**7,700,000**	8,000,000
Income/ accrued income from Islamic finance facilities	**502,655**	537,976	**71,678**	74,082

These transactions are subject to the approval of the shareholders at the annual general assembly meeting.

16. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and investment securities.

Trade and other receivables and Islamic finance facilities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in notes 6 and 8. There are no significant concentrations of credit risk within the Group.

Investments

With respect to credit risk arising from the Group's investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Bahraini Dinar (BHD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

The Group currently does not use financial derivatives to manage its exposure to currency risk.

Other market price risk

Equity price risk arises from equity securities. The primary goal of the Group's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. To manage its price risk arising from investments in equity securities which are carried at fair value through profit or loss, the Group diversifies its portfolio. The group's investments in equity of other entities are included primarily in Kuwait Stock Exchange.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Executive Management.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

17. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk for trade and other receivables and Islamic finance facilities at the reporting date by geographic region was:

	2011 KD	2010 KD
Domestic	**7,797,353**	8,113,212
Kingdom of Bahrain	**80,548**	17,125
	7,877,901	8,130,337

The aging of trade and other receivables and Islamic finance facilities at the reporting date was:

	2011 KD	2010 KD
Past due 0-30 days	**2,177,901**	2,130,337
Past due 31-120 days	**5,700,000**	6,000,000
	7,877,901	8,130,337

No provision was required in 2011 (2010: nil) for trade and other receivables and Islamic finance facilities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

The following are the expected maturities of financial liabilities at the reporting date.

	Carrying amount KD	One year or less KD	One to five years KD
31 December 2011			
Financial liabilities			
Murabaha payable	**557,071**	**-**	**557,071**
Trade and other payables	**101,383**	**101,383**	**-**
	658,454	**101,383**	**557,071**
31 December 2010			
Financial liabilities			
Murabaha payable	989,217	428,048	561,169
Trade and other payables	154,857	154,857	-
	1,144,074	582,905	561,169

Currency risk

Exposure to currency risk

The Group is exposed to currency risk on certain assets denominated in a currency other than Kuwaiti Dinar. The currency giving rise to this risk is primarily Bahraini Dinar (BHD). At the reporting date the Group's net long exposure in foreign currency was BHD 41,421,216 (2010: BHD 41,354,655).

Sensitivity analysis

A 10 percent strengthening of the KD against the BHD at 31 December would have increased (decreased) equity and profit or loss by KD 3,077,932 (2010: KD 3,095,595). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

A 10% weakening of the KD against the BHD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and financial liabilities (trade and other receivables, Islamic finance facilities, murabaha payable and trade and other payables) at the reporting date are not materially different from their carrying values.

Fair value hierarchy

The next table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2011				
Investments at fair value through profit or loss	**290,019**	**148,527**	**-**	**438,546**
	290,019	**148,527**	**-**	**438,546**

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2010				
Investments at fair value through profit or loss	350,023	280,523	-	630,546
	350,023	280,523	-	630,546

During the year ended 31 December 2011, there have been no transfers between fair value levels.

18. Operating Segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For each of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Real estate activities. Includes trading, development and management of real-estate properties inside and outside Kuwait.
- Non-real estate activities. Includes investment in various Islamic financial instruments, mainly murabaha.

The operating segments derive their revenue primarily from return on real-estates and investment income. All of the Group's business activities and operating segments are reported within the above segments.

Financial information on reportable segments for the year ended 31 December 2011 is as follows:

	Real estate activities KD	Non-real estate activities KD	Total KD
Segment (losses)/ revenues	(148,406)	330,268	181,862
Segment expenses	(687,435)	-	(687,435)
Segment results	(835,841)	330,268	(505,573)
Segment assets	31,359,979	8,660,534	40,020,513
Segment liabilities	686,096	-	686,096
Capital expenditure	54,933	44,453	99,386

Financial information on reportable segments for the year ended 31 December 2010 is as follows:

	Real estate activities KD	Non-real estate activities KD	Total KD
Segment revenues	515,836	310,247	826,083
Segment expenses	(741,232)	-	(741,232)
Segment results	(225,396)	310,247	84,851
Segment assets	31,865,502	9,315,885	41,181,387
Segment liabilities	1,162,830	-	1,162,830
Capital expenditure	716,383	47,025	763,408

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of counterparties. Segment assets are based on the geographical location of the assets.

Geographical information

	Revenues/ (losses) KD	Non-current assets KD
31 December 2011		
Inside Kuwait	**533,558**	**12,007**
Outside Kuwait	**(351,696)**	**31,170,071**
	181,862	**31,182,078**
31 December 2010		
Inside Kuwait	401,033	13,860
Outside Kuwait	425,050	31,721,305
	826,083	31,735,165

During 2011 and 2010, there were no transactions between the Group's reportable segments.

There were no changes in the reportable segments during the year. The accounting policies of the reportable segments are the same as described in note 3.

The Board assesses the performance of the operating segments based on a measure of segment profit. The profit or loss of the Group's reportable segments reported to the Board are measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment result to net loss is therefore not presented separately.

The amounts provided to the Board in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and physical location of the assets. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

19. Board's remuneration

On their meeting dated 22 May 2011, the shareholders' general assembly approved a remuneration of KD 24,000 to the Company's Board of Directors for the year 2010 (2009: KD 29,000). The Board's remuneration for 2010 was booked and paid after the approval of the annual general assembly meeting.

In addition, on their meeting dated 25 March 2012, the Board of Directors approved a remuneration of KD 27,500 to the Company's Board of Directors for the year 2011, subject to approval of the general assembly of shareholders.

20. Proposed dividends

On 25 March 2012, the Board of Directors proposed not to distribute cash dividends to the shareholders for the year ended 31 December 2011, subject to the approval of the shareholders' general assembly.

On their meeting dated 22 May 2011, the shareholders' general assembly decided not to distribute dividends for the year 2010 (2009: No dividends were distributed).