Seef Properties B.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

SEEF PROPERTIES

Report of the Chairman of the Board of Directors

2011– Seef Properties Rises to the Challenge

On behalf of the Board of Directors, it is my pleasure to present to you Seef Properties Annual Report for the year ended 31st December 2011.

When I reported to you last year I said that 2010 had been one of the most challenging years due to the economic downturn. Well, 2011 has certainly been no less challenging but for different and well documented reasons. Nevertheless, I am absolutely delighted to report that Seef Properties still registered positive growth and profit despite these conditions.

Financial and Performance Highlights ...

The company's principal source of revenue is derived from its Leasing Operations. Seef Mall is the Company's main asset and has been the focus of much management time and effort in 2011, specifically through an extensive refurbishment and a successful leasing campaign. Through this, and ever prudent housekeeping, the operational performance of the Retail portfolio has improved by 6.2%.Whilst the unrest has had an impact on our Hospitality and Leisure business lines, they do however remain profitable.As a result, the company's gross earnings for 2011 is BD10.625 m, marginally lower than last year's BD11.13m.

Following the disturbances and disruption to business in early 2011 the Board acknowledged its responsibility as a leading Bahrain company and took action to help alleviate the losses experienced by our tenants. We allocated BD I million through a package of rent relief and an extensive, innovative marketing campaign which was well received and highly successful.

The Group's operating profit for 2011 was BD 9.8 m. as against BD10.3 m. in 2011 which allowing for the financial assistance given to the tenants I consider to be a commendable performance.The improvement in the performance of our principal assets has also produced a fair value gain of BD 2,509,712. The value of our assets now stands at BD119,260,827. As ever the principal aim of the company is to make acceptable profits for our stakeholders, and therefore I am pleased to announce that for 2011 the Company has managed to secure a return of 7.6%on its equity and reserves at end of 2011 compared to 8.7% in 2010. The basic and undiluted EPS stands at 19 fils compared to 20 fils as at 2010.

Appropriations for 2011....

The Board proposes the following appropriations out of the reported profit of BD 8,597,437 for the year 2011 subject to formal approval at the Annual General Meeting:

Statutory Reserve	860,000
Proposed Dividend @ 7.5% of the issued and paid up capital	3,450,000
Director's Remuneration	115,000
Charity	120,000
Unappropriated Retained Earnings	4,052,437

SEEF PROPERTIES

I would like to thank my fellow board members for their continued support and commitment to taking the company forward. I am also grateful to the Management team for all that they have managed to achieve in sometimes extremely trying circumstances. Their commitment and loyalty is hugely appreciated.

Moving Forward.....

The resilience that Seef Properties has displayed in 2011 can only encourage confidence in its ability to deliver consistently good results in the future. We are actively pursuing new opportunities in the market and believe there are opportunities to unlock value in the rest of our portfolio.

I am grateful to His Majesty, King Hamad bin Isa Al Khalifa, the King of Bahrain, His Royal Highness Prince Khalifa, bin Salman Al Khalifa, The Prime Minister, His Royal Highness Prince Salman bin Hamad Al Khalifa, The Crown Prince and Deputy Supreme Commander, government ministries, officials, and institutions. Their continued support and assistance is greatly appreciated.

Abdulla bin Khalifa Al Khalifa

Chairman

Manama, Bahrain

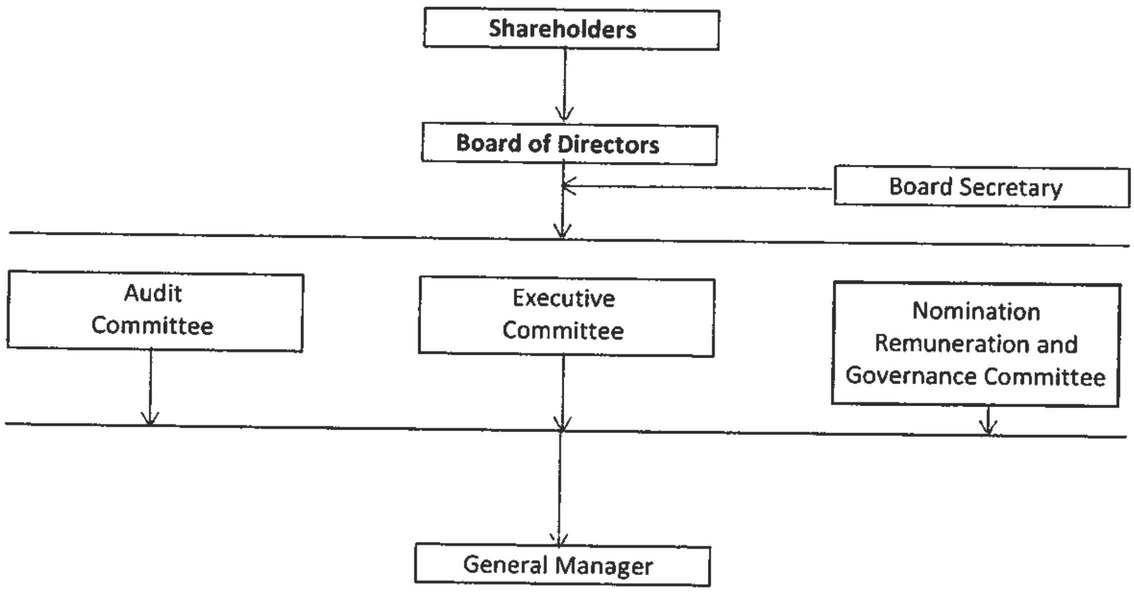
19 February 2012

Corporate Governance

Introduction:

The Company has in place a policy of benchmarking against established best practice in the field of corporate governance. The Board has adopted core values and standards which set out the behaviours expected of staff in their dealings with shareholders, tenants, colleagues, agents, business partners and other stakeholders of the Company. One of the core values communicated within the Company is the belief that a high standard of integrity is essential in business conduct. The corporate governance document has been adopted by the Company during the year 2007 when the first IPO was successfully completed, and will remain under continuous review, in order to enhance compliance levels according to industry standards and best practices. The Company is committed to corporate governance of highest standards. In this endeavour and to comply with the new Corporate Governance Code issued in Bahrain, we have undertaken an extensive exercise of reviewing our current practices, identifying improvement opportunities and taking appropriate action. The Company has substantially complied with the new Corporate Governance Code and our corporate governance practices have further strengthened significantly.

The governance structure at the company is as follows:



Ownership:

The Company is owned by a shareholding structure as detailed in Note 14 to the financial statements. No shares are held or owned by management members or their dependents.

The Board:

The Company is governed through its Board of Directors. The Board's main roles are to create values to shareholders, to provide entrepreneurial and competitive leadership of the Company, to approve the Company's strategic objectives and to ensure that the necessary financial and other resources are made available to meet those objectives.

Following the election at the Company's Annual General Meeting held on 31 March 2010, the current board of directors has taken charge from 1 April 2010. The Board meets at least four times in a calendar year and has a schedule of matters reserved for its review, discussion and approval. Specific responsibilities of the Board include review of the Company's strategy, approval of annual budgets, review of periodic operating and financial performance and other matters of a corporate nature.

Board Committees:

The Board has set up various committees with terms of reference and specific mandates to carry out the assigned functions. Areas of responsibilities and functioning are clearly defined for each of these committees that consist of members within the Board who are competent and experienced in relevant fields.

1. ***Audit Committee;***
   a. Yousif Ahmed Al-Hammadi - Chairman
   b. Waleed Ahmed Al-Khajah - Member
   c. Abdulwahab Yousif Al-Hawaj - Member
2. ***Executive Committee;***
   a. Essa Mohamed Najibi - Chairman
   b. Nader Mohammed Ibrahim - Member
   c. Sattam Sulieman Al-Gosaibi - Member
   d. Abdul-Jalil Mohammed Janahi - Member
3. ***Nomination, Remuneration & Governance Committee;***
   a. Abdulla Bin Khalifa Al-Khalifa - Chairman
   b. Amal Yousif Almoayyed - Member
   c. Dr.Mustafa Al Sayed - Member

Profile of board members and executive management:

The members of the Board, who are either nominated by the shareholding institution or elected at the Annual General Meeting, provide their experience and expertise to manage the operations of the Company. Following is a summary profile of the Company's Board members.

1. ***Abdulla Bin Khalifa Al-Khalifa***

Office held:	Chairman - Seef Properties B.S.C.
Educational qualification:	• BSc in Business Administration: George Washington University, Washington DC, USA
Experience:	• Head of Institutional Sales, Standard Chartered Bank; • Arab Banking Corporation BSC, Bahrain
Other offices / directorships held:	• Executive Director - Investment Directorate: Social Insurance Organization, Kingdom of Bahrain • Chairman of SICO • Vice-Chairman - Naseej, Bahrain • Board member - BBK, Bahrain • Board member - Bahrain International Golf Course • Board member - Condor FX (Bahrain Financing Co.,)

2. *Essa Mohamed Najibi*

Office held:	Vice-chairman - Seef Properties B.S.C.
Educational qualification:	• BSc in Civil Engineering
Experience:	• Founding member, Vice-Chairman and Managing Director, Najibi Investment Co.,
Other offices / directorships held:	• Chairman and Managing Director: Al-Souq Real Estate Co., • Chairman and Managing Director: United Commercial Services Co., • Trustee, Director and Chairman of Executive Committee: Royal University for Women, • Board member - The Malls Co., • Board member - Tulips Real Estate Co., • Board member - Lona Real Estate Co., • Board member - Crown Industries Co., • Board member - Bahrain Scrapmould Co., • Board member - Kingdom Properties • Director - Bahrain International Travel WLL • Director - Worldecor WLL • Director - Middle East Traders

3. *Waleed Ahmed Al-Khajah*

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• Bachelor of Business Administration, North Texas State University, Denton, TX, USA • Program in Money & Banking, Financial Accounting and Corporate Finance, BBH Bank, New York
Experience:	• Portfolio Manager - Investment Directorate, Ministry of Finance, Kingdom of Bahrain • Head of Portfolio Management - Investment Directorate, Ministry of Finance, Kingdom of Bahrain • Director of Investment, Pension Fund Commission
Other offices / directorships held:	• Executive Director - Social Insurance Organisation • Director of Investment, Social Insurance Organization (Pension), Kingdom of Bahrain • Director - BATELCO, Bahrain • Director - Bahrain Tourism Co.

4. *Amal Yousif Almoayyed*

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• Graduate with honors in fashion designing and retail operations, 1976
Experience:	• Businesswoman - founding member of Vogue Group, Bahrain (1978 onwards); • 34 years in fashion and retailing industry;
Other offices / directorships held:	• Executive Director - Ashrafs Group • Chairperson - Specific Council for Training in Retail • Permanent member of Board - Y K Almoayyed & Sons • Board member - Ashrafs BGDC

5. *Yousif Ahmed Al-Hammadi*

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• MBA - University of Bahrain
Experience:	• 12-years: Citibank, Bahrain: Resident Vice-President / Deputy Financial Controller • 10 years to date: Kuwait Finance House, Bahrain
Other offices / directorships held:	• Senior Manager - Financial Control and Administration Kuwait Finance House, Bahrain • Chairman - Durrat Al-Bahrain Investment Co., • Board member - Motherwell Group Ltd.,

6. *Dr. Mustafa Al-Sayed*

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• Ph.D - Industrial Management, UK • M.Sc - Industrial Management, Ireland • B.Sc - Mechanical Engineering, UK
Experience:	Over 36-years as, • Chief Executive, Bahrain Petroleum Co. (BAPCO) • Chief Engineer, Ministry of Works, Power & Water • Chief Executive, Midal Cables Ltd., • General Manager, Gulf Petro-Chemical Industries Co.,
Other offices / directorships held:	• Secretary General, The Royal Charity Organization • Board member - Nass Corporation • Board member - Gulf Air • Board member - National Oil & Gas Holding Co. • Board member - National Oil & Gas Authority • Board member - BAPCO • Board member - Family Bank • Board member - Bahrain Health & Safety Society

7. *Abdulwahab Yousif Al-Hawaj*

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• Diploma in Business Administration • Diploma in Foreign language (Alliance Francaise de Bahrein)
Experience:	Part of owner-managed business group dealing in perfumes, cosmetics, jewelry, luxury brand watches, accessories, fashion, crystals, consumer electronics, apparel, dining and traditional dresses;
Other offices / directorships held:	• Deputy General Manager - Y A Al-Hawaj & Sons Co., WLL • Director - Azadea Group of Companies • Director - Techno-Blue Trading Co. WLL (Samsung) • Managing Director - Zumorrod Trading Co., WLL

8. *Sattam Sulieman Al-Gosaibi*

Office held:	• Director - Seef Properties BSC. • Director - Miracle Graphics W.L.L • Director - Diyar Al Muharaq W.L.L
Educational qualification:	• B.Sc in Accounting, King Fahd University, Saudi Arabia; • MBA, DePaul University
Experience:	• Saudi British Bank - a subsidiary of HSBC Group; • Al-Baraka Islamic Bank - subsidiary of Dallah Al-Baraka Group;
Other offices / directorships held:	• Executive Manager, Head of Corporate Finance & HR, Kuwait Finance House, Bahrain

9. *Abdul-Jalil Mohammed Janahi*

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• Master of Science: in Civil Engineering / Construction management. USA, 1999 • Bachelor of Science: Civil Engineering, Gulf Polytechnic - Bahrain University, 1985 • Diploma: Building management - City & Guilds of London Institute, 1982
Experience:	• 7 years - Projects Manager, Kuwait Finance House • 6 years - Projects & Development Manager, Seef Properties • 13 years - Senior/Civil Engineer, Ministry of Housing • 2 years - Civil Engineer, Pan-Arab Consulting Engineers
Other offices / directorships held:	• Project Manager - Kuwait Finance House, Bahrain • Director - Saar Complex Co., WLL • Director - Diyar Al-Muharraq Co.,

10. Nader Mohammed Ibrahim

Office held:	Director - Seef Properties B.S.C.
Educational qualification:	• Degree in Executive Management & Leadership, University of Virginia, USA
Experience:	• American Express, Bahrain: Head of Trade Finance • Citi-Islamic Investment Bank: Resident Vice-President • GIB, Bahrain: Assistant Vice-President, Marketing • Arab Banking Corporation: Vice-President and Regional Coordinator, GCC Markets • Former member - Arab Monetary Fund (ATFP) • Former Executive Committee Member - SICO Bahrain • Former Chairman of Executive Committee - Yemen Islamic Bank • Former member - Takaful International Co.
Other offices / directorships held:	• Chairman - Saar Complex Co., WLL • General Manager - Corporate and Institutional Banking, Bahrain Islamic Bank

11. Robert Addison

Office held:	General Manager - Seef Properties B.S.C.
Educational qualification:	• Dip. Estate Management; ARICS, FRICS
Experience:	• Over 30 years' experience in Real Estate Investment Management throughout Europe and the Middle East. Previously a Partner with Cluttons, Cushman and Wakefield, Donaldsons and DTZ.
Other offices / directorships held:	• Director, Saar Complex Co., WLL

Board and committee meetings:

During the period from 1 January 2011 up to 31 December 2011, the members of the Board have attended meetings to discuss and approve various issues as per agreed agenda. A summary of meetings held during this period and attendance of various members is provided below:

	Board	Committee					
		Audit	Corporate	Corporate Governance	Investment	Executive	NRG
Number of meetings held between January 11 to December 11	6	4	2	1	4	7	3
Attendence:							
Abdulla Bin Khalifa Al-Khalifa	6			1			3
Essa Mohamed Najibi	5				3	7	
Waleed Ahmad Al-Khajah	5	2	2		3		
Yousif Ahmed Al-Hammadi	6	4		1			
Abdulwahab Yousif Al-Hawaj	4	3		1			
Sattam Sulieman Al-Gosaibi	5		2			7	
Abdul-Jalil Mohammed Janahi	6		2			7	
Nader Mohammed Ibrahim	6				4	7	
Dr. Mustafa Al-Sayed	6	2		1			3
Amal Yousif Almoayyed	4		1		3		3

Remunerations:

As required to be reported under Bahrain Commercial Companies Law 2001, Decree no. 21 of 2001, during the year under review an amount of BD 141,703 (2010: BD 111,200) was paid as remuneration to directors and attendance allowances to members.

Code of Conduct:

The Company's Code of Conduct covers conduct of Company's directors, executive management and staff. The Code binds the signatories to highest standards of professionalism and due diligence in performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information.

Insider Trading Policies:

Members of the Board of Directors and identified insiders are bound by specific regulations relating to Insider Trading and are required to disclose details of their shareholding in the Company. The Company's compliance with latest insider trading regulations issued by the Central Bank of Bahrain is supervised by the Audit Committee reporting to the Board of Directors. During 2011, all relevant procedures were reviewed and updated where necessary.

The Company has combined the Compliance Officer role with other suitable positions.

Anti-money laundering:

The Company has not come across any suspicious transactions that could be related to money-laundering or terrorism financing.

Risk management strategies and policies:

Risk management is essentially about identifying, monitoring and controlling all material risks that the organisation could be subjected to in its ordinary course of operations. The main types of risks faced by the Company are credit, liquidity, market, technical and operational including outsourcing risks. The risks could be related to investments or corporate and may be internal or external to the operations of the Company. These are detailed in Note 31 to the financial statements.

The Company identifies, assesses, monitors, controls and manages the various risks on an ongoing basis and has relevant procedures and controls as are appropriate and commensurate to the nature, scale and complexity of its business operations. The Executive Committee monitors the investment portfolio and the risks involved and takes proactive measures to mitigate the risks.

Internal control risks are controlled by having effective and adequate internal control systems in place which are tested on a regular basis. The Audit Committee is charged with the responsibility of ensuring that adequate internal controls are in place to mitigate any existing or potential risks.

Internal Control:

The Directors review the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and the Company's high-level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by the internal audit function, management assurance of the maintenance of controls and reports from the external auditor on matters identified in the course of its statutory audit work.

Fines and penalties:

The Company did not pay any fines and penalties to any governmental and regulatory agencies during the year under review.

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Seef Properties B.S.C. ('the Company') and its subsidiary together ('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 a summary of significant accounting policies and other explanatory information.

The corresponding amounts presented have been audited, as applicable, by other auditors whose audit opinion dated 22 February 2011 have expressed unqualified opinions on those amounts.

Board of Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C.

Auditors' Responsibility (continued)

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

Opinion

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

Report on Other Regulatory Requirements

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

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

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

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2011 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst + Young

19 February 2012
Manama, Kingdom of Bahrain

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	*2011 BD*	*2010 BD*
ASSETS			
Non-current assets			
Furniture, equipment and vehicles	5	**1,850,830**	1,443,851
Capital work-in-progress	6	**301,965**	1,733,123
Investment properties	7	**100,878,707**	94,803,998
Investment in a joint venture	8	**11,000**	11,000
		103,042,502	97,991,972
Current assets			
Available-for-sale investments	9	**-**	263,900
Trade and other receivables	10	**1,071,533**	2,261,265
Cash and bank balances	11	**15,146,792**	13,567,025
		16,218,325	16,092,190
TOTAL ASSETS		**119,260,827**	114,084,162
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**46,000,000**	46,000,000
Statutory reserve	13	**14,210,000**	13,350,000
Furniture and fixtures replacement reserve	14	**57,800**	28,171
Retained earnings		**52,892,205**	48,634,397
Total equity		**113,160,005**	108,012,568
Non-current liability			
Employees' end of service benefits	16	**124,546**	105,637
Current liabilities			
Unclaimed dividends	17	**4,017,474**	3,700,781
Other payables and accruals	18	**1,958,802**	2,265,176
		5,976,276	5,965,957
Total liabilities		**6,100,822**	6,071,594
TOTAL EQUITY AND LIABILITIES		**119,260,827**	114,084,162

Abdulla bin Khalifa Al-Khalifa Chairman	Essa Mohamed Najibi Vice-Chairman	Robert Addison General Manager

The attached notes 1 to 30 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 BD	2010 BD
Income			
Property rental income and service charges		**8,229,976**	7,948,895
Rent relief	19	**(573,296)**	-
Income from serviced apartments		**1,481,431**	2,135,643
Leisure and recreational income		**914,541**	1,052,164
		10,052,652	11,136,702
Less: cost of sales	20	**2,028,437**	2,224,940
Gross profit		**8,024,215**	8,911,762
Other operating income	21	**1,347,143**	1,043,626
Profit on term deposits		**414,384**	335,031
Operating profit		**9,785,742**	10,290,419
Expenses			
Staff costs	22	**1,609,826**	1,705,650
General, administration, marketing and advertisement	23	**1,331,725**	1,552,666
Depreciation	5	**316,475**	235,878
Directors' remuneration		**141,703**	111,200
Donations and charitable contributions		**120,000**	100,000
Provision for doubtful debts	10	**30,000**	36,208
		3,549,729	3,741,602
Unrealised fair value gain on investment properties	7	**2,361,424**	2,823,159
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,597,437**	9,371,976
Basic and diluted earnings per share (fils)	24	**19 Fils**	20 Fils

The attached notes 1 to 30 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	*Share capital BD*	*Statutory reserve BD*	*Furniture and fixtures replacement reserve BD*	*Retained earnings* BD*	*Total BD*
Balance at 1 January 2011		46,000,000	13,350,000	28,171	48,634,397	108,012,568
Total comprehensive income		-	-	-	8,597,437	8,597,437
Dividends declared for 2010	15	-	-	-	(3,450,000)	(3,450,000)
Transfer to statutory reserve	13	-	860,000		(860,000)	-
Transfer to furniture and fixtures replacement reserve	14	-	-	29,629	(29,629)	-
Balance at 31 December 2011		**46,000,000**	**14,210,000**	**57,800**	**52,892,205**	**113,160,005**
Balance at 1 January 2010		46,000,000	12,400,000	6,815	42,533,777	100,940,592
Total comprehensive income		-	-	-	9,371,976	9,371,976
Dividends declared for 2009	15	-	-	-	(2,300,000)	(2,300,000)
Transfer to statutory reserve	13	-	950,000	-	(950,000)	-
Transfer to furniture and fixtures replacement reserve	14	-	-	21,356	(21,356)	-
Balance at 31 December 2010		46,000,000	13,350,000	28,171	48,634,397	108,012,568

* Retained earnings include BD 25,000 (2010: BD 25,000) relating to the statutory reserve of the subsidiary.

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	*2011* *BD*	*2010* *BD*
OPERATING ACTIVITIES			
Profit for the year		**8,597,437**	9,371,976
Adjustments for:			
Depreciation	5	**588,851**	435,891
Profit on disposal of furniture, equipment and vehicles		**(800)**	-
Profit on term deposits		**(414,384)**	(335,031)
Provision for doubtful debts (net)	10	**30,000**	36,208
Directors' remuneration		**141,703**	111,200
Donations and charitable contributions		**120,000**	100,000
Employees' end of service benefits	16	**27,156**	32,427
Unrealised fair value gain on investment properties	7	**(2,361,424)**	(2,823,159)
Write-back of accruals no longer payable	21	**(680,145)**	-
Operating profit before working capital changes		**6,048,394**	6,929,512
Working capital changes:			
Trade and other receivables		**1,196,621**	(156,578)
Accounts payable and accruals		**294,149**	(796,493)
Net cash from operations		**7,539,164**	5,976,441
Employees' end of service benefits paid	16	**(8,247)**	(27,292)
Directors' remuneration paid		**(136,400)**	(111,200)
Donations and charitable contributions paid		**(45,681)**	(170,190)
Net cash from operating activities		**7,348,836**	5,667,759
INVESTING ACTIVITIES			
Net movement in term deposits		**(2,795,963)**	(4,877,644)
Profit on term deposits received		**377,495**	335,031
Proceeds from redemption of available-for-sale investments	9	**263,900**	-
Proceeds from disposal of furniture, equipment and vehicles		**800**	-
Purchase of furniture, equipment and vehicles	5	**(323,051)**	(246,779)
Expenditure incurred on capital work-in-progress	6	**(2,948,256)**	(1,949,195)
Additions to investment properties	7	**(6,650)**	-
Net cash used in investing activities		**(5,431,725)**	(6,738,587)
FINANCING ACTIVITIES			
Dividends paid	17	**(3,133,307)**	(3,427,930)
Movement in bank balances representing unclaimed dividends		**(316,434)**	(875,802)
Net cash used in financing activities		**(3,449,741)**	(4,303,732)
DECREASE IN CASH AND CASH EQUIVALENTS		**(1,532,630)**	(5,374,560)
Cash and cash equivalents at 1 January		**2,739,265**	8,113,825
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**1,206,635**	2,739,265

Non-cash items:

1) Movement in donations and charitable contributions accrued but not yet settled amounting to BD 74,319 (2010: BD 70,190) have been excluded from the movement of trade and other payables.
2) Movement in profit on term deposits of BD 36,888 (2010: nil) which has been accrued but not yet received has been excluded from trade and other receivables.
3) During the year, the Group has written back certain accruals no longer payable amounting to BD 680,145 (2010: nil) which have been excluded from the movement of trade and other payables.
4) Movement in directors' remuneration accrued but not yet settled amounting to BD 5,303 (2010: nil) has been excluded from the movement in trade and other payables.

The attached notes 1 to 30 form part of these consolidated financial statements.

1 ACTIVITIES

Seef Properties B.S.C. ('the Company') is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 44344. The postal address of the Company's registered head office is at P O Box 20084, Manama, Kingdom of Bahrain.

The Company had the following wholly owned subsidiary at the date of the consolidated statement of financial position.

Name	*Ownership interest*	*Country of incorporation*	*Principal activities*
Fraser Suites Seef - Bahrain S.P.C.	100%	Kingdom of Bahrain	Hotel, tourist furnished flats and restaurants for tourist services management.

The Company and its wholly owned subsidiary are collectively referred to as the "Group".

The Group is primarily engaged in the real estate business and also provides leisure and recreational game facilities. The Group owns and manages the Seef Mall, the Isa Town Mall, Fraser Suites - Seef and other commercial facilities in the Kingdom of Bahrain and operates the Magic Island, leisure and recreational games facilities.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 February 2012.

2 ACCOUNTING POLICIES

Basis of preparation

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of presentation
The consolidated financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. The financial statements are presented in Bahraini Dinars (BD) which is the functional currency of the Group.

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of new Standards and Interpretations, noted below:

- *IAS 24 Related Party Disclosures (Amendment) effective for annual periods beginning on or after 1 January 2011;*
- *IAS 32 Financial Instruments: Presentation (Amendment) effective for annual periods beginning on or after 1 January 2011;*
- *IFRS 7 financial Instruments: Disclosures (Amendment) effective for annual periods beginning on or after 1 January 2011;*
- *Improvements to IFRSs (issued in May 2010) effective for annual periods on or after either 1 July 2010 or 1 January 2011.*

2 ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

IAS 24 Related Party Disclosures (Amendment)

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

IAS 32 Financial Instruments: Presentation (Amendment)

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

IFRS 7 Financial Instruments: Disclosures (amendment)

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

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

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

Improvements to IFRSs

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

- *IFRS 3 Business Combinations*: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation must be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- *IFRS 7 Financial Instruments – Disclosures*: An amendment was introduced to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. Other amendments added an explicit statement that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.
- *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements.

2 ACCOUNTING POLICIES (continued)

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

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2011 (collectively referred to as the "Group").

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continues to be consolidated until the date such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Furniture, equipment and vehicles
Furniture, equipment and vehicles are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the furniture, equipment and vehicles. When significant parts of furniture, equipment and vehicles are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the furniture, equipment and vehicles as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	2-10 years
Furniture and fixtures	3-10 years
Motor vehicles	5 years

An item of furniture, equipment and vehicles and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

2 ACCOUNTING POLICIES (continued)

Furniture, equipment and vehicles (continued)
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

The capitalisation threshold for an individual item of furniture, equipment and vehicles is BD 250, below which the cost is recognised as an expense.

Capital work-in-progress
Expenditure incurred on the construction of new facilities prior to the commencement of their commercial use is capitalised as capital work-in-progress. Capital work-in-progress is transferred either to furniture, equipment and vehicles or investment properties at the time of commencement of commercial use.

Capital work-in-progress is not depreciated until it is transferred and put to commercial use, and is reviewed annually for any indication on impairment.

Investment properties
Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as an investment property when the definition of an investment property is met.

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

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under furniture, equipment and vehicles up to the date of change in use.

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

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

Investment in a joint venture
The Group has an investment in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangements that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group.

2 ACCOUNTING POLICIES (continued)

Investment in a joint venture (continued)
Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds are recognised in the statement of comprehensive income. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, ie. The date the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables and available-for-sale investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Trade receivables
Trade and other receivables are recognised at the contractually agreed rates less any discounts or adjustments. Where the time value of money is material, receivables are discounted and carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Available-for-sale investments
Available-for-sale investments are those investments which are neither classified as held to maturity nor designated at fair value through profit or loss.

After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of comprehensive income, and removed from the available-for-sale reserve.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

2 ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

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

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

Financial liabilities

Accounts payables and accruals
Accounts payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amortised cost of financial instruments
Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2 ACCOUNTING POLICIES (continued)

Derecognition of financial instruments
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Tenant deposits
Tenant deposits represent amounts received and accounted for as collateral from tenants.

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

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Operating lease payments are recognised on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised in the period in which they are earned.

2 ACCOUNTING POLICIES (continued)

Revenue recognition

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

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

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

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

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue, as it is considered that the Group acts as principal in this respect.

Interest income

Interest income is recorded using the effective interest rate (EIR) method, which is based on the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is presented as profit on term deposits in the statement of comprehensive income.

Foreign currencies

The Group's financial statements are presented in Bahraini Dinars ("BD"), which is the Group's functional currency and the currency of the primary economic environment in which the Group operates.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS required managements to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

Judgements

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

Operating lease commitments - Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions considering the future and other key sources of estimation uncertainty at the date of statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions as they occur.

Revaluation of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. Future revenue streams comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Useful lives of furniture, equipment and vehicles

The Group's management determines the estimated useful lives of its furniture, equipment and vehicles for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)
Impairment of trade receivables
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are overdue, are assessed collectively and a provision applied according to the age of the debt, based on historical recovery rates.

At the statement of financial position date, gross trade receivables were BD 992,307 (2010: BD 1,506,471) and provision for doubtful debts was BD 410,108 (2010: BD 378,743).

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income effective for annual periods beginning on or after 1 July 2012;*
- *IAS 19 Employee Benefits (Amendment) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 27 Separate Financial Statements (as revised in 2011) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) effective for annual periods beginning on or after 1 January 2013;*
- *IFRS 9 Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2015;*
- *IFRS 10 Consolidated Financial Statements: This standard becomes effective for annual periods beginning on or after 1 January 2013;*
- *IFRS 11 Joint Arrangements: effective for annual periods beginning on or after 1 January 2013;*
- *IFRS 12 Disclosure of Involvement with Other Entities: effective for annual periods beginning on or after 1 January 2013; and*
- *IFRS 13 Fair Value Measurement: This standard becomes effective for annual periods beginning on or after 1 January 2013.*

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

IAS 19 Employee Benefits
These amendments include the elimination of the corridor approach and recognising all actuarial gains and losses in the Other Comprehensive Income as they occur; immediate recognition of all past service costs; and replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and certain clarifications and re-wording. The amendments will have no impact on the Group's financial position or performance.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The amendment will have no impact on the financial position or performance of the Group.

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

The amendments will have no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statement of income, unless this creates an accounting mismatch.

It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives*.

The standard is currently effective for annual periods beginning on or after 1 January 2013. The IASB issued an exposure draft (ED) *Mandatory effective date of IFRS 9* - that proposes moving the mandatory effective date to periods beginning on or after 1 January 2015 with early application continuing to be permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The Group will quantify the effect of adoption of this Standard, in conjunction with the other phases, when issued, to present a comprehensive picture.

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

An investor controls an investee when:

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

Control is re-assessed as facts and circumstances change.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 10 *Consolidated Financial Statements* (continued)
IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Group does not expect this standard to have a significant impact on the Group's financial position or performance.

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

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

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. The Group does not expect this standard to have a significant impact on the Group's financial position or performance.

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

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

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

The Group does not expect this standard to have a significant impact on the Group's financial position or performance.

5 FURNITURE, EQUIPMENT AND VEHICLES

	Equipment BD	Furniture and fixtures BD	Motor vehicles BD	Total BD
Cost				
At 1 January 2011	2,861,042	2,467,111	37,514	5,365,667
Additions	147,373	153,616	22,062	323,051
Transfers from capital-work-in progress (note 6)	464,989	207,790	-	672,779
Disposals	(40,268)	-	-	(40,268)
Write-offs	(11,523)	-	-	(11,523)
At 31 December 2011	**3,421,613**	**2,828,517**	**59,576**	**6,309,706**
Depreciation:				
At 1 January 2011	2,377,628	1,534,180	10,008	3,921,816
Charge for the year	454,646	116,819	17,386	588,851
Relating to disposals	(40,268)	-	-	(40,268)
Relating to write-offs	(11,523)	-	-	(11,523)
At 31 December 2011	**2,780,483**	**1,650,999**	**27,394**	**4,458,876**
Net carrying values:				
At 31 December 2011	**641,130**	**1,177,518**	**32,182**	**1,850,830**

	Equipment BD	Furniture and fixtures BD	Motor vehicles BD	Total BD
Cost				
At 1 January 2010	2,704,212	2,377,162	37,514	5,118,888
Additions	138,516	108,263	-	246,779
Reclassifications	18,314	(18,314)	-	-
At 31 December 2010	2,861,042	2,467,111	37,514	5,365,667
Depreciation:				
At 1 January 2010	2,040,402	1,443,022	2,501	3,485,925
Charge for the year	336,616	91,768	7,507	435,891
Relating to reclassifications	610	(610)	-	-
At 31 December 2010	2,377,628	1,534,180	10,008	3,921,816
Net carrying values:				
At 31 December 2010	483,414	932,931	27,506	1,443,851

Depreciation charges have been allocated in the consolidated statement of comprehensive income as follows:

	2011 BD	*2010* BD
Cost of sales (note 20)	**272,376**	200,013
Expenses	**316,475**	235,878
	588,851	435,891

6 CAPITAL WORK-IN-PROGRESS

	2011 *BD*	*2010* *BD*
Balance at the beginning of the year	**1,733,123**	364,119
Capital expenditure incurred during the year	**2,948,256**	1,949,195
Transfers to investment properties (note 7)	**(3,706,635)**	(580,191)
Transfers to furniture, equipment and vehicles (note 5)	**(672,779)**	-
Balance at the end of the year	**301,965**	1,733,123

7 INVESTMENT PROPERTIES

	2011 *BD*	*2010* *BD*
Balance at the beginning of the year	**94,803,998**	91,400,648
Expenditure incurred during the year	**6,650**	-
Transferred from capital work-in-progress (note 6)	**3,706,635**	580,191
Unrealised fair value gain	**2,361,424**	2,823,159
Balance at the end of the year	**100,878,707**	94,803,998

Investment properties are stated at fair value, which is based on the valuations performed by independent surveyors. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on the income yield capitalisation method.

8 INVESTMENT IN A JOINT VENTURE

The Company's investment in a joint venture consists of the following joint venture:

Name of the joint venture company	*Principal activities*	*Percentage ownership*	*Cost of investment BD*
Saar Complex Company	Development of Saar shopping complex	55%	11,000

The joint venture commenced its commercial operations during 2010 and in the opinion of the management, there is no significant difference in the fair value of the Group's investment given the current operational stage of the joint venture.

9 AVAILABLE-FOR-SALE INVESTMENTS

	2011 *BD*	*2010* *BD*
Equity investments:		
Unquoted investments (at cost) *	-	263,900

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

Balance at the beginning of the year	**263,900**	263,900
Redemptions for equity **	**(263,900)**	-
Balance at the end of the year	-	263,900

9 AVAILABLE-FOR-SALE INVESTMENTS (continued)

* The unquoted investments were carried at cost less impairment, as fair values could not be reliably determined due to the unpredictable nature of the future cash flows.

** The investments in National Bank of Bahrain - Capital Guaranteed Tranche II and Ahli United Bank - Capital Protected MSCI Hedge had matured during the year and cash proceeds of BD 188,500 and BD 75,400 respectively were received (2010: no maturities).

10 TRADE AND OTHER RECEIVABLES

	2011 BD	2010 BD
Rents and service charges receivable		
Due from related parties (note 27)	896,371	1,291,860
Less: allowance for doubtful debts	95,936	214,611
	(410,108)	(378,743)
	582,199	1,127,728
Other receivables (net)	342,918	969,696
Prepayments	115,276	121,603
Advances to suppliers	31,140	42,238
	1,071,533	2,261,265

Rents and service charges receivable are non-interest bearing and are generally paid on 30 to 60 days credit terms.

For terms and conditions relating to related party receivables, refer to note 27.

As at 31 December 2011, trade and other receivables of BD 441,808 (2010: BD 421,645) were impaired and fully provided for. The movement in the provision for trade and other receivables is as follows:

	2011 BD	2010 BD
Balance at the beginning of the year	421,645	395,958
Charge for the year	30,000	36,208
Bad debts written off during the year	(9,837)	(10,521)
Balance at the end of the year	441,808	421,645

As at 31 December, the provision for trade and other receivables comprise of:

	2011 BD	2010 BD
Allowance for trade receivables	410,108	378,743
Allowance for other receivables	31,700	42,902
Balance at 31 December	441,808	421,645

10 TRADE AND OTHER RECEIVABLES (continued)

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

	Total BD	*Neither past due nor impaired BD*	*Past due but not impaired 0-30 days BD*	*31-60 days BD*	*61-90 days BD*
2011	**582,199**	**215,540**	**111,977**	**15,582**	**239,100**
2010	1,127,728	310,379	180,561	224,305	412,483

11 CASH AND BANK BALANCES

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the date of the consolidated statement of financial position.

	2011 BD	*2010 BD*
Cash on hand, bank balances and term deposits	**15,146,792**	13,567,025
less: Term deposits with an original maturity of more than three months	**(12,673,607)**	(9,877,644)
Bank balances representing unclaimed dividends *	**(1,266,550)**	(950,116)
	1,206,635	2,739,265

Bank balances are held in commercial banks in the Kingdom of Bahrain and are non-interest bearing. Term deposits are placed for varying periods ranging between one month to one year. The profit rates on term deposits as at 31 December 2011 range between 2.75% to 4% (2010: 2.5% - 3.75%).

* Refer to note 17 for details of unclaimed dividends.

12 SHARE CAPITAL

	2011 BD	*2010 BD*
Authorised: 1,000,000,000 shares of BD 0.100 each	**100,000,000**	100,000,000
Issued, subscribed and fully paid-up: 460,000,000 shares (31 December 2010: 460,000,000 shares) of BD 0.100 each	**46,000,000**	46,000,000

12 SHARE CAPITAL (continued)

Additional information on shareholding pattern

a) The names and nationalities of the major shareholders and the number of shares held in excess of 5% or more of the outstanding shares are as follows:

Name	*Nationality*	*Percentage of shareholding interest*	*2011 No. of shares*
Social Insurance Organisation	Bahraini	21.75%	100,044,000
Royal Charity Organisation	Bahraini	10.10%	46,457,291
Kuwait Finance House B.S.C. (c)	Bahraini	7.38%	33,945,385
Bayan Group for Properties Investment	Bahraini	6.92%	31,842,988
		46.15%	212,289,664

Name	*Nationality*	*Percentage of shareholding interest*	*2010 No. of shares*
Social Insurance Organisation	Bahraini	21.71%	99,844,000
Royal Charity Organisation	Bahraini	10.10%	46,457,291
Kuwait Finance House B.S.C. (c)	Bahraini	7.38%	33,945,385
Bayan Group for Properties Investment	Bahraini	6.92%	31,842,988
		46.11%	212,089,664

b) Distribution of of share capital is as follows:

As of 31 December 2011:

Category	*No. of shares*	*No. of shareholders*	*Percentage of total outstanding*
Less than 1%	**191,806,291**	**22,190**	**41.70%**
1% up to less than 5%	**55,904,045**	**6**	**12.15%**
5% up to less than 10%	**65,788,373**	**2**	**14.30%**
10% up to less than 20 %	**46,457,291**	**1**	**10.10%**
20% up to less than 50%	**100,044,000**	**1**	**21.75%**
	460,000,000	**22,200**	**100%**

b) Distribution of of share capital is as follows (continued):

As of 31 December 2010:

Category	*No. of shares*	*No. of shareholders*	*Percentage of total outstanding*
Less than 1%	192,637,941	22,220	41.88%
1% up to less than 5%	55,272,395	6	12.01%
5% up to less than 10%	65,788,373	2	14.30%
10% up to less than 20 %	46,457,291	1	10.10%
20% up to less than 50%	99,844,000	1	21.71%
	460,000,000	22,230	100%

13 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's articles of association require 10% of the profit for the year to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, the Company transferred an amount of BD 860,000 (2010: BD 950,000) of its profit for the year to its statutory reserve.

14 FURNITURE AND FIXTURES REPLACEMENT RESERVE

In accordance with the management agreement entered into between the Company and Fraser Serviced Residences Pte Ltd., a company incorporated in Singapore and involved in the operation of hotels, apartments and tourist restaurants, an amount equivalent to 1% of the total revenue for the first year, 2% of the total revenue for the second year and 3% of the total revenue for the third year and thereafter of the subsidiary, is to be set aside as furniture and fixtures replacement reserve which is to be utilised for the purchase and replacement of the subsidiary's furniture and fixtures.

15 DIVIDENDS DECLARED

On 22 February 2011, the Board of Directors proposed a dividend of BD 0.0075 per share totalling BD 3,450,000 (2010: BD 0.005 per share totalling to BD 2,300,000) which was subsequently paid. On 19 February 2012, the Board of Directors recommended a final dividend of BD 0.0075 per share totalling BD BD 3,450,000 subject to the approval of the Company's shareholders at the Annual General Meeting to be held on 29 March 2012.

On 30 March 2011, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.0075 per share totalling BD 3,450,000 relating to 2010 from which BD 3,133,307 was paid (2010: BD 3,427,930 dividend).

16 EMPLOYEES' END OF SERVICE BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2011 amounted to BD 80,269 (2010: BD 94,111).

The movement in the end of service benefits applicable to expatriate employees is as follows:

	2011 ***BD***	*2010* *BD*
Balance at the beginning of the year	**105,637**	100,502
Charge for the year	**27,156**	32,427
Paid during the year	**(8,247)**	(27,292)
Balance at the end of the year	**124,546**	105,637

Charges for the year have been allocated in the consolidated statement of comprehensive income as follows:

	2011 ***BD***	*2010* *BD*
Staff costs (note 22)	**21,922**	28,325
Cost of sales	**5,234**	4,102
	27,156	32,427

17 UNCLAIMED DIVIDENDS

	2011 *BD*	*2010* *BD*
Balance at the beginning of the year	**3,700,781**	4,828,711
Dividends declared (note 15)	**3,450,000**	2,300,000
Dividends paid	**(3,133,307)**	(3,427,930)
Balance at the end of the year	**4,017,474**	3,700,781

18 OTHER PAYABLES AND ACCRUALS

	2011 *BD*	*2010* *BD*
Other payables and accruals	**716,443**	1,329,515
Contract and other payables	**574,974**	319,742
Deferred income	**399,730**	419,841
Retentions payable	**144,627**	137,582
Rent received in advance	**31,166**	40,953
Donations and charitable contributions payables	**91,862**	17,543
	1,958,802	2,265,176

Terms and conditions of the above financial liabilities:

- Contract and other payables are non-interest bearing and are normally settled on 60-day terms.
- Retentions payable are non-interest bearing and have an average term of six months to one year

19 RENT RELIEF

During April 2011, the Company offered a rent incentive to the tenants of Seef Mall whose outstanding rent receivables were less than six months past due as of 30 April 2011. The incentive comprises a concession from the rental charge to the tenant for one month over the period from 1 April 2011 to 31 July 2011. This incentive has been fully recognised as a discount in the consolidated statement of comprehensive income.

20 COST OF SALES

	2011 *BD*	*2010* *BD*
Utilities	**483,010**	650,879
Cleaning	**368,549**	390,516
Maintenance	**337,512**	358,022
Depreciation (note 5)	**272,376**	200,013
Staff costs	**169,744**	187,696
Insurance	**67,342**	64,576
Direct costs incurred on food and beverage services	**42,208**	34,822
Direct costs incurred on leisure and recreational facilities	**41,223**	53,276
Property tax	**31,260**	30,512
Miscellaneous	**215,213**	254,628
	2,028,437	2,224,940

21 OTHER OPERATING INCOME

	2011 *BD*	*2010* *BD*
Write-back of accruals no longer payable	**680,145**	-
Hand-cart income	**251,937**	341,795
Promotional space income	**233,887**	408,430
Car park income	**116,346**	145,690
Advertising income	**27,480**	103,340
Miscellaneous income	**37,348**	44,371
	1,347,143	1,043,626

During the year management carried out a detailed review of long oustanding accruals and decided that amounts totalling BD 680,145 (2010: nil) were no longer required.

22 STAFF COSTS

	2011 *BD*	*2010* *BD*
Basic salaries	**996,992**	1,084,650
Allowances	**237,160**	225,014
Bonuses	**105,122**	129,439
Social insurance	**96,173**	99,549
Medical insurance	**40,626**	38,307
End of service benefits (note 16)	**21,922**	28,325
Other benefits	**111,831**	100,366
	1,609,826	1,705,650

23 GENERAL, ADMINISTRATION, MARKETING AND ADVERTISEMENT

	2011 *BD*	*2010* *BD*
Marketing and advertisement expenses	**656,884**	722,867
Security and other labour expenses	**354,390**	411,869
Legal and professional fees	**100,297**	121,147
Incentive fees	**42,466**	71,590
Management fees	**37,036**	53,391
Maintenance expenses	**23,132**	31,662
Miscellaneous expenses	**117,520**	140,140
	1,331,725	1,552,666

24 EARNINGS PER SHARE

	2011	*2010*
Profit for the year – BD	**8,597,437**	9,371,976
Weighted average number of shares outstanding	**460,000,000**	460,000,000
Basic and diluted earnings per share	**19 Fils**	20 Fils

No separate figure for diluted earnings per share has been presented as the Company has not issued any financial instruments which may have a dilutive effect.

25 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Capital expenditure commitments outstanding as at the financial position date but not yet provided for, relating to the projects in malls and properties are as follows:

	2011	*2010*
	BD	*BD*
Seef Mall re-theming and other renovation work	**189,766**	2,284,709
Expansion of Isa Town Mall	**-**	382,248
	189,766	2,666,957

b) Operating lease commitments

The Group has entered into leases with commercial malls in the Kingdom of Bahrain for operating its leisure and recreational facilities.

Future minimum rentals payable under cancellable operating leases as at 31 December are as follows:

	2011	*2010*
	BD	*BD*
Within one year	**124,023**	23,425
After one year but not more than five years	**539,811**	-
More than five years	**536,494**	-
	1,200,328	23,425

c) Legal cases

In the ordinary course of business, the Group is subject to legal claims. The Company has provided for certain claims relating to employee claims.

A third party has filed a claim against the Company towards damages caused by theft. The Company lost the case, however, it has filed an appeal against the ruling. The third party is seeking damages equal to BD 202,811. The case is still ongoing as of 31 December 2011. Management do not believe based on independent legal advice that any further provision is required.

26 SEGMENT INFORMATION

For management purposes, the Group is organised into four main business segments:

Malls and properties	-	Management of real estate including malls
Serviced apartments	-	Management of apartments
Leisure and entertainment	-	Operating leisure and recreational games facilities
Other	-	All activities other than property management and leisure activities

The operations of malls and properties include the management of Seef Mall and Isa Town Mall, and other properties in Hamad Town, Isa Town, Saar and Um-Al Hassam.

Serviced apartments represent Fraser Suites Seef - Bahrain, which generates income from the leasing of furnished serviced apartments and tourist restaurants.

26 SEGMENT INFORMATION (continued)

The Group owns and operates leisure and recreational games facilities in different commercial malls in the Kingdom of Bahrain under its brand name of Magic Island.

The Group also earns income from lease of promotional space, car park areas in addition to other miscellaneous income.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (finance revenue) is managed on a group basis and is not allocated to operating segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Segment assets include all operating assets used by a segment and consist primarily of furniture, equipment and vehicles, investment properties and accounts receivable.

Segment liabilities include all operating liabilities and consist primarily of trade and other payables.

26 SEGMENT INFORMATION (continued)

	Malls and properties		Serviced apartments		Leisure and entertainment		Others		Elimination		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	BD	BD	**BD**	BD	**BD**	BD	**BD**	BD	**BD**	BD	**BD**	BD
Income from external operations	**8,229,976**	7,948,895	**1,481,431**	2,135,643	**914,541**	1,052,164	**-**	-	**-**	-	**10,625,948**	11,136,702
Inter-segment income	**195,000**	195,000	**-**	-	**-**	-	**-**	-	**(195,000)**	(195,000)	**-**	-
Rent relief	**(589,546)**	-	**-**	-	**-**	-	**-**	-	**16,250**	-	**(573,296)**	-
Cost of sales	**1,093,811**	1,246,940	**565,625**	675,705	**547,751**	497,295	**-**	-	**178,750**	195,000	**2,028,437**	2,224,940
Gross profit	**6,741,619**	6,896,955	**915,806**	1,459,938	**366,790**	554,869	**-**	-	**-**	-	**8,024,215**	8,911,762
Other operating income	**-**	-	**-**	-	**-**	-	**1,347,143**	1,043,626	**-**	-	**1,347,143**	1,043,626
Profit on term deposits	**-**	-	**-**	-	**-**	-	**414,384**	335,031	**-**	-	**414,384**	335,031
Operating profit	**6,741,619**	6,896,955	**915,806**	1,459,938	**366,790**	554,869	**1,761,527**	1,378,657	**-**	-	**9,785,742**	10,290,419
Expenses												
Staff costs	**1,089,622**	1,061,904	**236,153**	238,060	**284,051**	405,686	**-**	-	**-**	-	**1,609,826**	1,705,650
General and administration expenses	**1,061,063**	1,179,353	**192,922**	273,408	**77,740**	99,905	**-**	-	**-**	-	**1,331,725**	1,552,666
Depreciation	**111,922**	73,276	**166,309**	154,551	**38,244**	8,051	**-**	-	**-**	-	**316,475**	235,878
Directors' remuneration	**141,703**	111,200	**-**	-	**-**	-	**-**	-	**-**	-	**141,703**	111,200
Donations and charitable contributions	**120,000**	100,000	**-**	-	**-**	-	**-**	-	**-**	-	**120,000**	100,000
Provision for doubtful debts	**30,000**	30,000	**-**	6,208	**-**	-	**-**	-	**-**	-	**30,000**	36,208
	4,187,309	4,341,222	**320,422**	787,711	**(33,245)**	41,227	**1,761,527**	1,378,657	**-**	-	**6,236,013**	6,548,817
Unrealised fair value gain (loss) on investment properties	**2,368,074**	2,806,064	**(6,650)**	17,095	**-**	-	**-**	-	**-**	-	**2,361,424**	2,823,159
Segment profit (loss) for the period	**6,555,383**	7,147,286	**313,772**	804,806	**(33,245)**	41,227	**1,761,527**	1,378,657	**-**	-	**8,597,437**	9,371,976

	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2010**	2011	**2011**	2010
	BD	BD	**BD**	BD	**BD**	BD	**BD**	BD	**BD**	BD	**BD**	BD
Total assets	**117,567,404**	113,145,438	**10,460,386**	10,742,390	**862,342**	424,207	**-**	-	**(9,629,305)**	(10,227,873)	**119,260,827**	114,084,162
Total liabilities	**5,944,425**	5,911,339	**9,785,702**	10,388,128	**-**	-	**-**	-	**(9,629,305)**	(10,227,873)	**6,100,822**	6,071,594
Capital expenditure	**3,202,934**	1,955,085	**6,650**	168,358	**68,373**	72,531	**-**	-	**-**	-	**3,277,957**	2,195,974

All of the sales and profit of the Group are earned in the Kingdom of Bahrain from the above business segments.

27 RELATED PARTY TRANSACTIONS

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

Transactions with related parties during the year are as follows:

	Property rental income and service charges	
	2011	*2010*
	BD	*BD*
Directors' related entities*	**685,931**	769,863

* Rent relief of BD 41,285 (2010: nil) was granted to related parties during the year ended 31 December 2011.

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

	Trade receivables	
	2011	*2010*
	BD	*BD*
Directors' related entities	**95,936**	214,611

Compensation of key management personnel
The remuneration of directors and members of key management during the year was as follows:

	2011	*2010*
	BD	*BD*
Directors' remuneration	**115,000**	80,000
Board sitting fees	**26,703**	31,200
Management short-term benefits	**97,600**	151,892
	239,303	263,092

Outstanding balances as at 31 December arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the year ended 31 December 2011, an amount of BD 38,616 owed by related parties was considered impaired (2010: nil).

The details of total ownership interest held by the directors along with the entities controlled, jointly controlled or significantly influenced by them are as follows:

	2011	*2010*
	No. of shares	*No. of shares*
Number of shares	**1,385,500**	1,385,500
Percentage of holdings	**0.3%**	0.3%

27 RELATED PARTY TRANSACTIONS (continued)

Details of the directors' interest in the shares of the Company are as follows:

	2011	*2010*
	No. of shares	*No. of shares*
Essa Mohamed Najibi	**100,500**	100,500
Abdulwahab Yousif Al-Hawaj	**450,000**	450,000
Yousif Ahmed Al-Hammadi	**100,000**	100,000
Waleed Ahmed Al-Khajah	**50,000**	50,000
Amal Yousif Al-Moayyed	**100,000**	100,000
Sattam Sulieman Al-Gosaibi	**150,000**	150,000
Abduljalil Mohammed Janahi	**105,000**	105,000
Nader Mohammed Ibrahim	**100,000**	100,000
Najibi Investments Company W.L.L.	**230,000**	230,000
	1,385,500	1,385,500

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Group manages risk through a process of ongoing identification and monitoring of the risks it faces. The Group is exposed primarily to real estate risk, interest rate risk, currency risk, credit risk and liquidity risk.

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

Executive committee
The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company and Group.

Real estate risk
The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk below). To reduce this risk, the Group reviews the financial status of all prospective and existing tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Interest rate risk
The Group is not exposed to interest rate risk on its interest bearing bank deposits as these deposits are placed at pre-determined fixed interest rates.

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

The majority of the Group's transactions in foreign currency are in US Dollars. As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

Credit risk related to rent receviables

Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

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

Concentration of credit risk

The Group provides its services to a large number of individuals and companies. Its five largest customers account for 46% of outstanding trade receivables at 31 December 2011 (2010: 55%).

Liquidity risk

The Group limits its liquidity risk by ensuring that sufficient funds are available. The Group's terms of lease require tenants to pay rentals in advance. Other payables are normally on 30 to 60 days settlement terms.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

2011	***Less than 6 months BD***	***After 6 months BD***	***Total BD***
Contract and other payables	**619,483**	**-**	**619,483**
Retentions payable	**49,627**	**95,000**	**144,627**
Unclaimed dividends payable	**4,017,474**	**-**	**4,017,474**
Donations and charitable contributions payables	**91,862**	**-**	**91,862**
	4,778,446	**95,000**	**4,873,446**

2010	*Less than 6 months BD*	*After 6 months BD*	*Total BD*
Contract and other payables	386,417	876	387,293
Retentions payable	13,517	124,065	137,582
Unclaimed dividends payable	3,700,781	-	3,700,781
Donations and charitable contributions payables	17,543	-	17,543
	4,118,258	124,941	4,243,199

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management process is to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010. Capital represents equity of the Group and is measured at 31 December 2011 at BD 113,160,005 (2010: BD 108,012,568).

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of trade and other receivables, available-for-sale investments and bank balances. Financial liabilities consist of other payables and unclaimed dividends payable.

The fair values of the Group's financial instruments are not materially different from their carrying values as at the statement of financial position date (2010: same).

30 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation. Such reclassification did not affect previously reported net income. Donation and charitable contributions payable previously reported under the consolidated statement of changes in equity has been reclassified under other payables and accruals. This reclassification has resulted in a decrease the equity and increase in other payables as of 31 December 2010 by BD 17,543 which is not material to the overall financial statements.