

**DILMUNIA DEVELOPMENT FUND I L.P.**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

|                         |   |  |
|-------------------------|---|--|
| Commercial registration | : | MC 22172   |
| Registered office       | : | M&C Corporate Services Limited,<br>PO Box 309GT, Ugland House,<br>South Church Street, George Town,<br>Grand Cayman, Cayman Islands. |
| General Partner         | : | Ithmaar-Dilmunia General Partner Company Limited   |
| Fund Manager            | : | Ithmaar Bank B.S.C   |
| Developer               | : | Ithmaar Development Company Limited  |
| Bankers                 | : | Ithmaar Bank B.S.C   |
| Auditors                | : | KPMG   |

Dilmunia Development Fund I L.P.

**FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010**

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**GENERAL PARTNER'S REPORT**  
**for the period ended 31 December 2010**

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The Directors of Ithmaar-Dilmunia General Partner Company Limited (the "GP") are pleased to submit their report together with the audited financial statements of Dilmunia Development Fund I Limited Partnership (the "Fund") for the year ended 31<sup>st</sup> December, 2010. This is the GP's third annual report, since inception of the Fund.

**Background**

The GP is a Cayman Islands exempted company with limited liability, bearing company registration number 198388 and is the sole General Partner of the Fund. The Fund is an exempted Limited Partnership established under the laws of the Cayman Islands with certificate of registration number MC - 22172.

Ithmaar Bank B.S.C. (c) is the founding sponsor and manager of the Fund. US\$ 185 million was successfully raised in November & December 2007 through private placement (following issue of a Private Placement Memorandum - PPM - on 8<sup>th</sup> November, 2007) and the Fund was closed on 27 December 2007 ("Closing Date").

The Fund is registered as an "Overseas Domiciled Exempt Collective Investment Undertaking" as per the provisions of the Central Bank of Bahrain's ("CBB") regulations. The Fund is not regulated or authorized by the CBB but was registered with the CBB as required and their consent to the registration of the Fund was received in December 2007.

**Principal Activity**

The Fund invested in the Development Land to be developed as a ("Health Island") under the ("Dilmunia") brand. The total site covers an area of approximately 125 hectares of a man-made island. The project is a large mixed-use development with Health & Wellness as the anchor theme with precincts dedicated for residential, commercial, hotel and leisure areas.

Of the total site area in the Health Island, the Fund purchased the beneficial interest in 650,000 m<sup>2</sup> of land, represented as ("Development Land"). The Fund will develop infrastructure in respect of the entire site up to the boundaries of the parcels to be sold to downstream developers. The developments in the parcels for the entire site will be created and developed by the then owners in conformity with the Dilmunia Master Plan.

**Review of Operations**

Bahrain real estate market continued to face challenges in 2010 which are expected to continue in 2011 as the Kingdom absorbs the new stock of residential units and office and retail space recently delivered to the market. Despite numerous projects postponements there remains a significant delivery 'pipeline' of projects, which in the context of relatively slow employment growth in the wake of the global economic crisis, and local political events continues to be a drag on market performance. However, Bahrain's economy is expected to perform well on the back of government stimulus plans, allied with the continuing rebound in oil prices and the sheer scale of neighboring countries property and infrastructure projects which are thought to continue stimulating investment and business growth throughout select sectors in the Kingdom. Very few transactions took place in 2009 and 2010 as investors sought 'distressed' sales that simply did not materialize. This is likely to be the case in 2011 as buyers continue to seek bargains while sellers await the return of improved market conditions. However, given the historic volatility of the Middle East's economies, rapid decline and growth are not uncommon and we see recovery, when it does come, being relatively swift.

**GENERAL PARTNER'S REPORT**  
**for the period ended 31 December 2010**

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Following the political unrest in the Kingdom, it is anticipated that property prices will drop in selected areas in Bahrain, as the impact is felt in various sectors of the economy. In a bid to expand on key social infrastructure such as housing and to cater to the growing waiting list which remains at 50,000 plus homes, the Government's budget for the next two years has revealed a significant increase in infrastructure projects. Bahrain is also set to receive a US\$10 billion, spread over 10 years in the form of a "Marshall Plan" support from the Gulf Cooperation Council Countries. The Government of Bahrain intends to use this aid to stimulate its economy by injecting capital into the markets to increase the standard of living, create more jobs, and build more social housing units.

Notwithstanding the difficult economic climate, work on the Project has progressed as planned as all dredging, reclamation and rock protection works have been completed by end of 2010. In April 2010, Mott MacDonald Limited ("MML"), who were appointed to carry out the infrastructure design consultancy services towards the end of 2009, submitted their infrastructure conceptual design which was a key milestone. In addition, parts of infrastructure works have commenced including earthworks for road networks. The Fund Manager and the Developer have evaluated the infrastructure program in order to accommodate the property market conditions and align the development program with the projected market absorption of plots. It was concluded that the best way forward was to spread the infrastructure development over longer timeframe. Therefore, the infrastructure development has been designed to be developed in four overlapping phases with phase 1 commencing Q4 2011.

Progress has also been made on the wellness and hospitality aspects of the Project which the GP expects to positively reflect on the overall Project once announcements are made on the parties that the Fund Manager will partner with in this regard.

When the Fund was established late 2007, the exit strategy was to sell Parcels in the Development Land to realize the targeted investment returns. However, the economic crises over the past few years have affected the real estate sector in the region including Bahrain which made the sale of the Parcels very challenging. The Fund Manager conducted thorough evaluation and analysis of the market conditions and the Fund progress; accordingly, the Fund Manager in consultation with the Developer has decided to defer the scheduled exit and extend the Investment Period as this was deemed in the best interest of the Limited Partners. Consequently, the Fund Manager addressed a letter to the Investors on 5 January 2011 explaining the status of the Fund and the rationale behind the deferment of the Fund exit. The Fund Manager has also decided to suspend its Management Fees starting from 1 October 2010 until further notice.

The Fund Manager continued providing periodic updates on the Fund which explained the Fund's progress details. The Investors were also provided a detailed status report on the Fund and the timeline expectation in a special report in Q1 2011.

As on 31<sup>st</sup> December 2010, the Fund held a beneficial interest in 485,000 m<sup>2</sup> (2009: 485,000 m<sup>2</sup>) of land in the Health Island of the 650,000 m<sup>2</sup> that it first purchased. The Board is hopeful of improving market conditions to sell plots to downstream developers.

**GENERAL PARTNER'S REPORT**  
for the period ended 31 December 2010

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**Financial Position and Results**

The performance of the Fund for the accounting year ended 31 December 2010 is as follows.

(Figures in USD):

|   | 2010        | 2009        |
|---|-------------|-------------|
| Loss for the year                                 | 2,609,078   | 3,320,690   |
| Total assets of the Partnership                   | 178,909,002 | 180,855,212 |
| Total equity of the Partnership                   | 173,487,821 | 176,096,899 |
| Net asset value (equity) per Partnership Interest | 9377.72     | 9,518.75    |

The appended financial statements depict the financial results of the Fund for the year ending 31 December 2010.

**Distributions**

The Board of Directors of the GP has determined that no distribution of any income / dividend or a partial return of Capital Contributions be made at this point. However, the Board at its sole discretion may consider at any point in time, to make an interim distribution or return of Capital Contributions to investors in the Fund.

**Acknowledgements**

The Directors place on record their deep appreciation for the support received from the investors of the Fund. The Board also acknowledges the support received from its stakeholders including the Manager and Developer amongst others, in helping it create a truly world-class landmark health resort.

**Directors**

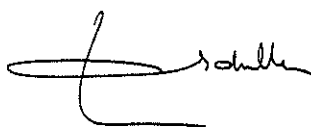
The following are the members of the Board of Directors of the GP as at 31 December 2010:

1. Khalid Abdulla-Janahi, Chairman
2. Mohammed Khailil Alsayed, Member
3. Mohamed Hussain, Member

**Auditors**

The auditors, KPMG Fakhro have expressed their willingness to be reappointed as auditors for the Fund for the year ending 31 December 2011.

On behalf of the Board of Directors of the General Partner



**Khalid Abdulla-Janahi**

Chairman of the Board of Directors of Ithmaar-Dilmunia General Partner Company Limited  
13 June 2011



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Kingdom of Bahrain

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**INDEPENDENT AUDITORS' REPORT TO THE LIMITED PARTNERS**  
**Dilmunia Development Fund I L.P.**  
Cayman, Islands

13 June 2011

**Report on the financial statements**

We have audited the accompanying financial statements of Dilmunia Development Fund I L.P. ("the Partnership"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*General Partner's responsibility for the financial statements*

The General Partner of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the General Partner determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2010

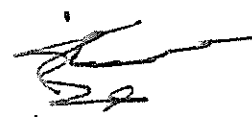
USD

|                                     | Note | 31 December<br>2010 | 31 December<br>2009 |
|-------------------------------------|------|---------------------|---------------------|
| <b>Assets</b>                       |      |                     |                     |
| Cash and cash equivalents           | 8    | 32,993,210          | 44,673,158          |
| Development properties              | 4    | 145,915,792         | 136,182,054         |
| <b>Total assets</b>                 |      | <b>178,909,002</b>  | <b>180,855,212</b>  |
| <b>Equity</b>                       |      |                     |                     |
| Partnership capital                 | 6    | 185,000,000         | 185,000,000         |
| Accumulated losses                  |      | (11,512,179)        | (8,903,101)         |
| <b>Total equity</b>                 |      | <b>173,487,821</b>  | <b>176,096,899</b>  |
| <b>Liabilities</b>                  |      |                     |                     |
| Related party payables              | 8    | 3,523,441           | 3,222,595           |
| Advance from a customer             | 7    | 1,535,718           | 1,535,718           |
| Other liabilities                   |      | 362,022             | -                   |
| <b>Total liabilities</b>            |      | <b>5,421,181</b>    | <b>4,758,313</b>    |
| <b>Total equity and liabilities</b> |      | <b>178,909,002</b>  | <b>180,855,212</b>  |

The financial statements, consisting of pages 5 to 15, were approved by the General Partner, on 13 June 2011 and signed on its behalf by the Board of Directors of the General Partner:



Khalid Abdullah-Janahi  
Chairman



Mohammed Khalil Alsayed  
Director

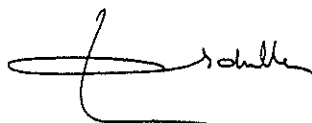
The accompanying notes 1 to 12 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2010**

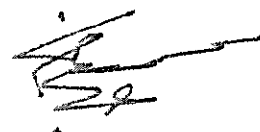
USD

|   | Note | 2010               | 2009               |
|---|------|--------------------|--------------------|
| Income from short-term placements                     |      | 195,392            | 157,139            |
| <b>Total income</b>                                   |      | <b>195,392</b>     | <b>157,139</b>     |
| Management fees                                       | 5    | (2,081,250)        | (2,775,000)        |
| Marketing and advertising expenses                    |      | (684,857)          | (672,373)          |
| Other expenses  |      | (38,363)           | (30,456)           |
| <b>Total expenses</b>                                 |      | <b>(2,804,470)</b> | <b>(3,477,829)</b> |
| <b>Loss for the year</b>                              |      | <b>(2,609,078)</b> | <b>(3,320,690)</b> |
| <b>Other comprehensive income</b>                     |      | -                  | -                  |
| <b>Total comprehensive income/(loss) for the year</b> |      | <b>(2,609,078)</b> | <b>(3,320,690)</b> |

The financial statements, consisting of pages 5 to 15, were approved by the General Partner, on 13 June 2011 and signed on its behalf by the Board of Directors of the General Partner:



Khalid Abdullah-Janahi  
Chairman



Mohammed Khalil Alsayed  
Director

The accompanying notes 1 to 12 form an integral part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2010

USD

**2010**

At 1 January 2010

Total comprehensive income/(loss) for the year

**At 31 December 2010**

| Partnership capital | Accumulated losses  | Total              |
|---------------------|---------------------|--------------------|
| 185,000,000         | (8,903,101)         | 176,096,899        |
| -                   | (2,609,078)         | (2,609,078)        |
| <b>185,000,000</b>  | <b>(11,512,179)</b> | <b>173,487,821</b> |

**2009**

At 1 January 2009

Total comprehensive income/(loss) for the year

**At 31 December 2009**

| Partnership capital | Accumulated losses | Total              |
|---------------------|--------------------|--------------------|
| 185,000,000         | (5,582,411)        | 179,417,589        |
| -                   | (3,320,690)        | (3,320,690)        |
| <b>185,000,000</b>  | <b>(8,903,101)</b> | <b>176,096,899</b> |

The accompanying notes 1 to 12 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2010**

USD

|   | 2010                | 2009               |
|---|---------------------|--------------------|
| <b>Operating activities</b>                         |                     |                    |
| Payments for development costs                      | (8,251,725)         | (1,596,551)        |
| Advance received from a customer                    | -                   | 1,535,718          |
| Payments to related party                           | (3,222,940)         | (6,550,181)        |
| Payments for expenses                               | (400,675)           | -                  |
| <b>Cash flows from operating activities</b>         | <b>(11,875,340)</b> | <b>(6,611,014)</b> |
| <b>Investing activities</b>                         |                     |                    |
| Income from short-term placements received          | 195,392             | 157,139            |
| <b>Cash flows from investing activities</b>         | <b>195,392</b>      | <b>157,139</b>     |
| <b>Decrease in cash and cash equivalents</b>        | <b>(11,679,948)</b> | <b>(6,453,875)</b> |
| Cash and cash equivalents at beginning of the year  | 44,673,158          | 51,127,033         |
| <b>Cash and cash equivalents at end of the year</b> | <b>32,993,210</b>   | <b>44,673,158</b>  |
| <b>Represented by:</b>                              |                     |                    |
| Current account with a bank                         | -                   | 72,539             |
| Short-term placement with a bank                    | 32,993,210          | 44,600,619         |
|   | <b>32,993,210</b>   | <b>44,673,158</b>  |

The accompanying notes 1 to 12 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010**

USD

**1 STATUS AND ACTIVITIES**

Dilmunia Development Fund I L.P. (the "Partnership") is an exempted limited partnership formed and registered under the laws of the Cayman Islands. The General Partner in the Partnership is Ithmaar Dilmunia General Partner Company Limited (the "General Partner"). The structure of the Partnership does not require any financial contribution by the General Partner.

The Partnership has been formed to acquire and reclaim approximately 650,000 square meters of land (the "Land"), within the Health Island – Dilmunia Project in Bahrain, provide basic infrastructure and sell the Land in parcels.

The Partnership has no employees and is managed by Ithmaar Bank B.S.C. (the "Fund Manager"), incorporated in the Kingdom of Bahrain in accordance with the terms of Management Agreement. Ithmaar Development Company Limited, a company incorporated in the Cayman Islands, has been appointed as Developer for development of infrastructure on the land.

The investment period of the Partnership was for a period of three years from the 'closing date' of the subscription to the Partnership on 30 November 2007. Accordingly, the investment period of the Partnership came to a close on 30 November 2010. However, upon an analysis of the market conditions in general and the real estate sector in Bahrain in the short-to-medium term in particular, it has been concluded, in consultation with the developer that it is in the Limited Partners' best interest to defer the scheduled exit and extend the investment period until the objectives of the Partnership are achieved and sales of land parcels are successfully completed.

**2 BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis. The Partnership classifies its expenses by their nature.

**(c) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in US Dollars, being the principal currency of the Partnership's operations and the functional currency of the Partnership.

**(d) Standards, amendments and interpretations issued and effective from 1 January 2010**

*The Improvements to IFRS*

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Partnership as a result of these amendments.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010**

USD

**2 Basis of preparation (continued)****(e) Standards and interpretations issued but not yet effective**

The following new / amended IFRS's and interpretations have been issued which are not yet mandatory for adoption by the Partnership.

**(i) Improvements to IFRSs**

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Partnership's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

**(ii) IFRS 9 'Financial Instruments'**

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Partnership is currently in the process of evaluating the potential effect of this standard. Given the nature of the Partnership's operations, this standard is not expected to have a significant impact on the Partnership's financial statements.

**(iii) Early adoption of standards**

The Company has not early adopted any new or amended standards in 2010.

**(f) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and any future period, if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements relate to impairment assessment of development properties and have been explained further in note 4.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010**

USD

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Foreign currencies**

Transactions in foreign currencies are translated to USD at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into USD at the foreign exchange rate prevailing at that date. Foreign exchange differences resulting from the settlement of such foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the statement of comprehensive income.

**b) Cash and cash equivalents**

Cash and cash equivalents comprise balances held with banks in deposit and current accounts with original maturity of less than three months.

**c) Development properties**

Development properties represents land held by the Partnership for development and sale in the ordinary course of business, and includes expenditure incurred in acquiring the inventory and other costs incurred in bringing them to their existing condition. Inventory is carried at the lower of cost and estimated net realisable value. Estimated realisable value is determined using the estimated selling price in the ordinary course of operations of the Partnership, less estimated development expenses.

**d) Partnership capital**

The Partnership capital is classified under equity and represents the contribution by the Limited Partners toward their interest in the Partnership (the "Partnership Interest"). The redemption value of the Partnership Interest is directly related to changes in net assets of the Partnership and the redemption of the Partnership Interest is due only at the end of the term of the Partnership.

**e) Impairment**

The carrying amount of the Partnership's assets (other than development properties) is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

**f) Provisions**

A provision is recognized in the statement of financial position when the Partnership has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2010

USD

**4 DEVELOPMENT PROPERTIES**

|                   | 31 December<br>2010 | 31 December<br>2009 |
|-------------------|---------------------|---------------------|
| Land              | 136,182,054         | 134,585,503         |
| Development costs | 9,733,738           | 1,596,551           |
|                   | <b>145,915,792</b>  | <b>136,182,054</b>  |

Fair value of the Land as at 31 December 2010 is USD 400,689,655 (31 December 2009: USD 387,729,172) on the assumption that the underlying plots are fully serviced by infrastructure including roads and utilities on the date of valuation (note 10). The fair value of the Land has been determined by an independent property valuer and is based on its estimated sale price benchmarked to similar properties. Based on this, the management has estimated that the current carrying value is lower than the net realisable value, and accordingly, no impairment has been considered necessary.

Title deed of the Land is registered in the name of Health Island B.S.C. (C) for beneficial interest of the Partnership.

**5 MANAGEMENT AND PERFORMANCE FEES**

The Fund Manager manages the Partnership's operations for an annual fee of 1.5% of the aggregate Partnership capital during the investment period.

Due to the current challenging market conditions, the Fund Manager has opted to waive its Management Fee from 1 October 2010 until further notice.

**Performance Fees**

Disposition proceeds, which would otherwise be distributed to a Limited Partner, will be distributed in the following amounts and order of priority:

- i. First, 100% to Limited Partners until such Limited Partner has received disposition proceeds from the investment as it has been disposed of ("Realized Investments") equal to the Limited Partner's drawn down capital contributions; and
- ii. Second, 100% to Limited Partners until further cumulative distributions of disposition proceeds to Limited Partners are equivalent to a 20% Gross Internal Rate of Return (IRR) on the Limited Partners' unreturned amounts of Capital Contributions outstanding from time to time ("the priority payment return"); and
- iii. Third, 100% to Health Island B.S.C (C) as performance fees.

**6 PARTNERSHIP CAPITAL**

The Partnership capital is USD 185,000,000 divided into 18,500 Partnership Interests with a value of USD 10,000 each fully paid.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2010

USD

**7 ADVANCE FROM A CUSTOMER**

Advance from a customer represents advance received in 2009 towards sale of certain land parcels and classified as a liability pending finalisation of the transaction.

**8 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Partnership exercises significant influence, unit holders, directors and Manager of the Partnership.

| Related party                                     | Nature of relationship                                   |
|---|--|
| Ithmaar Bank B.S.C.                               | Fund Manager   |
| Ithmaar Development Company Limited (IDC)         | Subsidiary of the Fund Manager and Developer to the Fund |
| Health Island BSC. (C)                            | Subsidiary of IDC  |
| Ithmaar Dilmunia General Partner Company Limited. | General Partner (Subsidiary of Ithmaar Bank BSC)         |

The balances and transactions with the related parties included in these financial statements are as follows:

|   | 31 December<br>2010 | 31 December<br>2009 |
|---|---------------------|---------------------|
| <b>Balances</b>                                 |                     |                     |
| <b>Assets</b>                                   |                     |                     |
| Cash and cash equivalents – Ithmaar Bank B.S.C. | 32,993,210          | 44,673,158          |
| <b>Liabilities</b>                              |                     |                     |
| Management fee payable to Ithmaar Bank B.S.C.   | 2,081,250           | 1,387,500           |
| Other related party payable                     | 1,442,191           | 1,835,095           |
|   | <b>3,523,441</b>    | <b>3,222,595</b>    |

Other related party payable represents USD 12,643 (31 December 2009: USD 14,698) payable to Ithmaar Bank BSC and USD 1,429,548 (31 December 2009: USD 1,820,397) payable to IDC for the expenses incurred on behalf of the Partnership.

|  | 2010        | 2009        |
|--|-------------|-------------|
| <b>Transactions</b>  |             |             |
| Income from short-term placements with Ithmaar Bank B.S.C. | 195,392     | 157,139     |
| Management fee to Ithmaar Bank B.S.C. (note 5)             | (2,081,250) | (2,775,000) |

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2010

USD

**9 NET ASSET VALUE**

The net asset value per unit of the Partnership is calculated as follows:

|   | 31 December<br>2010 | 31 December<br>2009 |
|---|---------------------|---------------------|
| Net asset value (equity) attributable to Partnership interest | 173,487,821         | 176,096,899         |
| Number of units outstanding                                   | 18,500              | 18,500              |
| <b>Net asset value (equity) per Partnership interest</b>      | <b>9,377.72</b>     | <b>9,518.75</b>     |

**10 COMMITMENTS**

The Fund is committed to carry out the works for the infrastructure work for the Dilmunia project in accordance with the Master Cooperation Agreement executed by the shareholders of Health Island BSC (c). The total estimated cost for the infrastructure works is USD 118,250,000.

**11 FINANCIAL INSTRUMENTS**

**a) Classification of financial instruments**

Financial instruments include financial assets and financial liabilities. A financial instrument is any contract that gives rise to both a financial asset in one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Partnership consist of bank balances. Financial liabilities of the Partnership consist of related party payables, advance from a customer and other payables.

All financial assets are classified as 'loans and receivables' and all financial liabilities are classified as 'liabilities at amortised cost'.

**b) Fair values of financial instruments**

Fair value represents the amount at which an asset could be exchanged or a liability settled, in a transaction between knowledgeable, willing parties in an arm's length transaction. As at 31 December 2010 and at 31 December 2009, the fair values of the Partnership's financial instruments are not significantly different from their carrying values.

**12 FINANCIAL RISK MANAGEMENT**

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

- Credit risk
- Liquidity risk; and
- Market risk

This note presents information about the Partnership's exposure to each of the above risks, the Partnership's objectives, practices and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010**

USD

**12 FINANCIAL RISK MANAGEMENT (continued)****Risk management framework**

The Fund Manager is responsible for identifying and controlling risks. The General Partner supervises the Fund Manager and is ultimately responsible for the overall risk management approach within the Partnership.

The significant risks to which the Partnership is exposed and the related risk management procedures established by the Partnership are explained below:

**Credit risk**

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

The Partnership is exposed to credit risk mainly on bank balances. The maximum credit risk exposure on bank balances is the carrying amount. The Partnership's exposure to credit risk is limited on bank balances as these are placed with a reputed bank.

At 31 December 2010, the Partnership's financial assets were neither past due nor impaired. The Fund Manager monitors the Partnership's credit position on a periodical basis.

**Liquidity risk**

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The primary need of liquidity for the Partnership is to carrying out the development of infrastructure on the Land held as inventory. The Partnership plans to fund the development expenditure from the existing cash and cash equivalents and also by raising funds by way of pre-selling some of the parcels of Land.

As at the reporting date, financial liabilities of the Partnership have a contractual maturity period of less than twelve months.

**Market risk**

Market risk is the risk that changes in market factors, such as foreign exchange rates, profit rates and other price risks will affect the Partnership's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**Profit rate risk**

Profit rate risk is the risk that the Partnership's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market profit rates. The Partnership's profit rate risk is limited to short term deposit with a Bank. The Partnership's exposure to profit rate risk is limited due to the short-term nature of the deposit with a bank.

**Foreign exchange risk**

Foreign exchange risk is the risk that the Partnership's earning will be affected as a result of fluctuations in currency exchange rates.

The Partnership is not exposed to foreign currency risks as majority of its transactions are in USD or currencies pegged to USD.