

DILMUNIA FUND REPORT

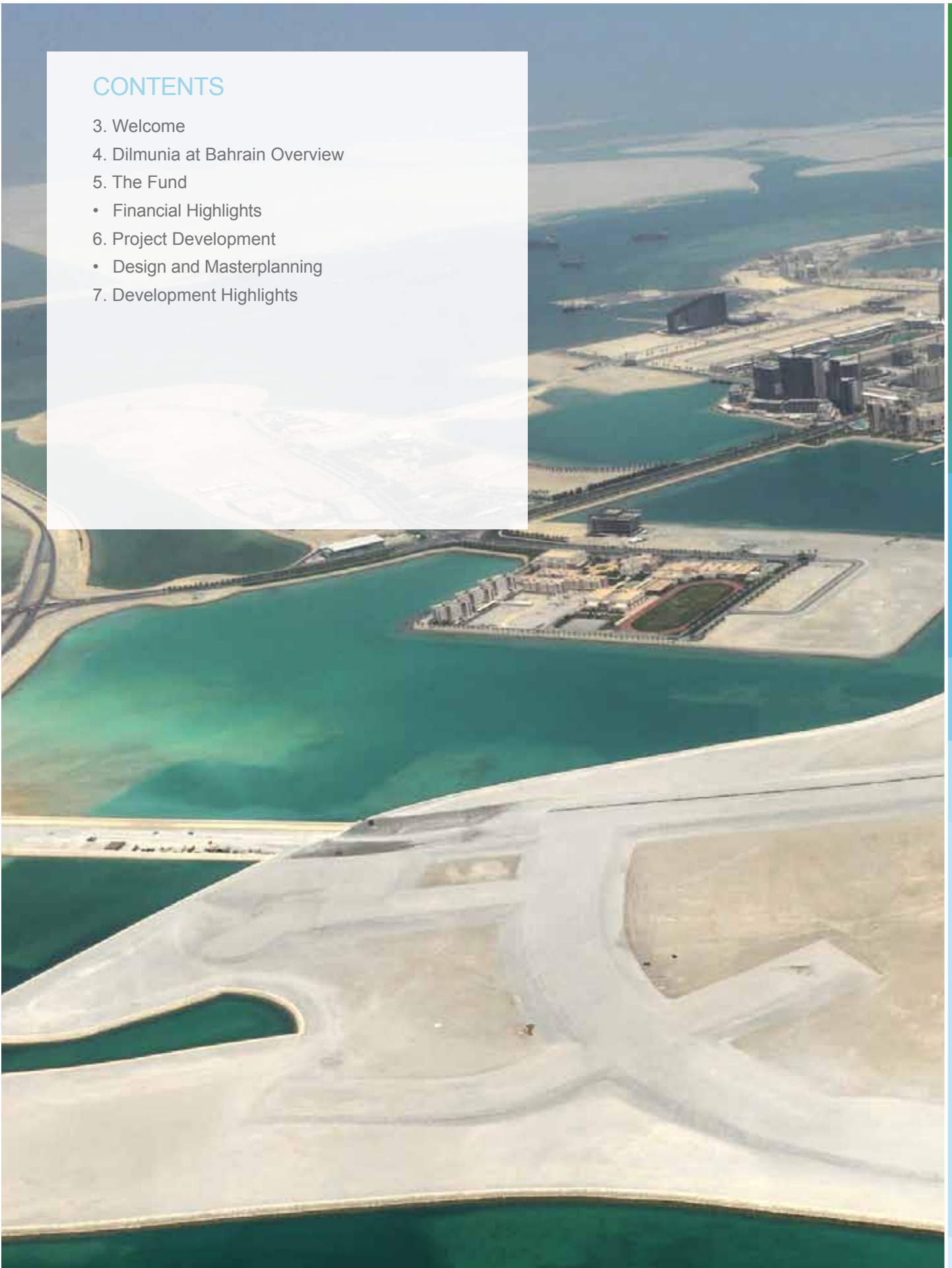


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CONTENTS

3. Welcome
4. Dilmunia at Bahrain Overview
5. The Fund
 - Financial Highlights
6. Project Development
 - Design and Masterplanning
7. Development Highlights



WELCOME

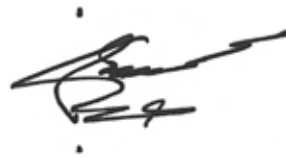
Ithmaar Development Company (“IDC”) is pleased to release the sixth Dilmunia Development Fund I.L.P. (the “Fund”) newsletter, on behalf of Ithmaar-Dilmunia General Partner Company, and the Fund Manager, Ithmaar Bank B.S.C. for the period ended June 30, 2010.

During the first half of 2010, the global economy continued to absorb the financial turmoil impact witnessed in 2008. Economies such as the Euro zone were confronted with the high potential default risk of Greek sovereign debt issuances, while GCC Governments boosted their economies by increasing spending on infrastructure projects and increasing oil production to benefit from the recovery of oil prices to \$70 - \$80 per barrel.

The economic outlook for the Kingdom of Bahrain remains positive as the Economic Development Board (“EDB”) announced in its first Annual Economic Review of 2010, issued in July 2010 that the expected real GDP growth for 2010 is 4%, which is generally in line with the IMF forecasts for the Middle East Region, while the real GDP growth is expected to rise to 7.2% by 2015. The ongoing reform program driven by Vision 2030 is also expected to further boost the economic outlook for the Kingdom as Bahrain is executing this blueprint for the development of its economy and steadily spearheading the country towards a sustainable foundation to stimulate growth.

According to CB Richard Ellis’, MarketView of Q1 2010, the outlook in the Kingdom of Bahrain is comparable with most of the GCC at present; there will continue to be a general slowdown in transaction activity for housing units of all types and it is difficult to place a timescale on the general recovery of the real estate market. However, Bahrain appears to be in a reasonably stable condition at present with any further falls likely to be generally modest, and CB Richard Ellis anticipates signs of recovery in most sectors by the end of 2010.

Considering the Kingdom’s strategic direction towards diversifying the economy of the country and the Government stimulus programs currently underway, the real estate market is expected to stabilize in the near future. Bearing this in mind, Dilmunia at Bahrain has been progressing steadily as initially planned and work on site continued uninterrupted despite adverse market conditions. In fact, we are delighted to inform you that at the moment, different tasks are running in parallel and are progressing as originally planned.



Mohammed Khalil Alsayed
CEO, Ithmaar Development Company

DILMUNIA AT BAHRAIN OVERVIEW

Dilmunia at Bahrain is a master-planned development positioning itself as a global leader in the promotion and enhancement of health and well-being. Dilmunia aims to enrich the Kingdom's tourism offerings, bringing to the shores of Bahrain, varied facilities and experiences for people living in and visiting the Kingdom. The Island is set to include three five-star hotels offering alternative therapeutic services, a four-star hotel with a commercial component, residential housing of different categories, in addition to the Island's anchor theme; the central health and wellness cluster in Dilmunia Health District.

The manmade island will be a mix of residential, hospitality, leisure and commercial developments, surrounding a core of comprehensive health and wellness amenities, which will together offer an alternative 'balanced' perspective towards life and living.

Dilmunia will be the destination for harried citizens of the Middle East and the world, in search of an environment that strives to prevent illness and promote healthy and active living. The project is being developed over an area of 125 hectares of reclaimed land coming up off the northeast seashore of Muharraq Island and a few minutes away from the international airport, where it would be by itself, a reason to visit Bahrain. By the end of May 2009, the entire island's reclamation works was completed.

We are proud to announce to the investors of the Fund that we have added another island to Bahrain's existing archipelago.

DILMUNIA AT A GLANCE

Development Type:	Health/Wellness, Residential, Commercial, Leisure and Hospitality.
Location:	Off the North-East coast of Muharraq, Bahrain.
Total Area:	1,250,000 m ² .
Total Estimated Investments Value:	US\$ 1.6 Billion.
Anchor/Signature Elements:	Dilmunia Waterway, Wellness Centre, Lifestyle Genesis.
Types of Residential Properties:	Luxury condominiums and a large variety of villas and apartments.
Architectural Styles:	Contemporary, except in themed hotels.
Hotels:	Three themed 5-star boutique hotels (Thai, Chinese and French) and one 4-star Moroccan-inspired hotel.
Anticipated Completion Date:	2014.



THE FUND

Dilmunia Fund was launched in November 2007 and closed in December 2007 to purchase approximately 650,000 m² (the “Development Land”) which is intended to be developed as a state-of-the-art ‘Health Island’ exclusively for promoting health and wellness. The Development Land will be a mixed-use waterfront real estate project centered around health and well-being facilities to be known as “Dilmunia Island”. The Fund will also develop infrastructure in respect of the project land of 125 hectares of reclaimed land.

Key summarized Fund features are as follows (investors may please refer to the PPM for details):

Fund	Dilmunia Development Fund I L.P. is a Cayman Islands exempted limited partnership.
General Partner	Ithmaar-Dilmunia General Partner Company Limited, a Cayman Islands exempted company with limited liability.
Fund Size	US\$ 185 million comprising of 18,500 partnership interests at US\$10,000 per partnership interest.
Fund Manager	Ithmaar Bank B.S.C.
Investment Period	Three years from the Closing date. Investment period may be extended at the discretion of the Fund Manager.
Target Return	Fund will aim to achieve a Gross IRR of approximately 20% over the Investment Period.
Hurdle Rate	20% Gross IRR.
Fees	<ul style="list-style-type: none">• Placement Fee of 3% of the Capital Contribution by each limited partner;• Management Fee of 1.5% p.a. of capital commitments; and• Performance Fee of 100% of the excess return, if any, by the Fund over the Hurdle rate.
Distributions	<p>Order of priority for distributions by the Fund:</p> <ul style="list-style-type: none">• First: 100% to Limited Partners limited to their drawn down Capital Contributions;• Second: 100% to Limited Partners until cumulative distributions are equivalent to 20% Gross IRR on the Limited Partners’ unreturned amounts of Capital Contributions from time to time;• Third: 100% to Health Island B.S.C. (c) – the JV Company, representing the Performance Fee.

FINANCIAL HIGHLIGHTS

The financial statements of the Fund as on June 30, 2010 were prepared and the summary financial highlights appear below:

Total Assets as at June 30, 2010	US\$181,661,604
Total Equity as at June 30, 2010	US\$ 174,540,138
Loss for the period ending June 30, 2010	US\$ 1,556,761

It may be noted that, of the development properties forming part of the total assets above, approximately US\$ 141.4 million relates to the cost of land held in the books of the Fund, the fair value of which as at June 30, 2010 is approximately US\$ 387.7 million.

PROJECT DEVELOPMENT

Land Sales: The sale program of Dilmunia at Bahrain was initiated during the second quarter of 2008 by offering 16 plots for sale to sub-developers. Out of those 16 plots, three plots were sold at very competitive prices.

A number of investors expressed their desire to acquire some plots at very attractive prices. At the moment we are in the final stages of concluding a plot sale agreement with an interested buyer who is considering acquiring a plot at the current market price. We are very positive that this sale agreement will be concluded shortly. In addition, a reputed hotel operator has expressed its interest in acquiring one of the three plots dedicated for hospitality during Q2.

Wellness: Being the heart of Dilmunia, we have been very selective on who to partner with to work on this landmark venture. From around 50 pre-selected worldwide medical operators and research centers, two stages of selection took place during 2008 and approximately 15 were shortlisted for further negotiations.

By the end of June 2009, only five final shortlisted companies were invited to submit their bids. The technical and financial assessments were done for the five finalists and further discussions / meetings took place in December 2009; recommendation for the selection of preferred bidders was done during the second quarter of 2010 pending required approvals.

Hospitality: An MOU was signed with the Thailand based Dusit International during May 2009 as the first hotel operator; the Hotel Management Agreement ("HMA") and Technical Services Agreement ("TSA") are being negotiated.

Currently we are discussing an MOU with another reputed international hotel chain for the management and development of European-themed Resort and Spa. At the same time, negotiations are ongoing with other operators and are at different stages.



DESIGN AND MASTER PLANNING

Since their appointment in late 2009 for the Detailed Master Planning design and executing the Development Control Guidelines, AECOM continues working on these assignments while accommodating the relevant changes and requirements by the regulatory authorities.

AECOM were also appointed in May 2010 for landscaping and detailed designs of the Grand Canal which are currently being developed.

The Infrastructure Consultant, Mott MacDonald, has prepared the Infrastructure Master Plan Report which covered all infrastructure disciplines. The report included assessments for Canal structure options, treatment of

solid waste, district cooling, and foul water. Demand estimates for power & water based on the original masterplan were also developed. Relevant meetings with appropriate authorities to assess whether the master plan development is in line with the authorities' requirements have commenced with support from Ansari Engineering Services ("AES").

MML issued Concept Design Report in April, 2010 in close collaboration with AECOM. They are currently progressing with the preliminary designs for highway and pedestrian bridges and footbridges. The electrical network, potable water and sewage networks were further developed.

DEVELOPMENT HIGHLIGHTS

Key developments since last newsletter:

- **The Land:** The entire land reclamation was completed by May 2009. Preparatory earthworks, land leveling for infrastructure and Grand Canal construction completions expected July 2010.
- **The Canal:** AECOM delivered the canal preliminary design drawings and specifications in April 2010. The Grand Canal works expected to start Q1 2011.
- **Geotechnical Investigations:** Upon thorough evaluation of the 3 bids received for geotechnical investigations, Qatar Engineering Laboratories (“QEL”) were appointed to carry out the task. The Geotechnical investigations of the Grand Canal works were completed in May 2010 (Phase 1), while the investigation for the entire infrastructure works (Phase 2) is expected to be completed by July 2010.
- **Concept & Preliminary Designs:** The Infrastructure Consultant Mott MacDonald (“MML”) issued concept design report in April 2010. MML has developed the preliminary designs for highway and pedestrian bridges and footbridges. The electrical network, potable water and sewage networks were further developed.
- **Services Consultations & Coordination:** Meetings continued with various Authorities particularly with the Roads Directorate, Electricity and Water Authority, and Sanitary Engineering. Draft Memorandum of Understanding (“MOU”) and Technical Interface Office (“TIO”) agreements are being reviewed.



Dilmunia will be a “Dome” shaped island hence roads network, plot dedicated for infrastructure plants and Grand Canal footprint are being raised to the required levels



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