

**US Development Opportunities  
Fund I Limited**

Financial statements for the year  
ended 31 December 2010

US Development Opportunities Fund I Limited  
Statement of financial position at 31 December 2010  
(Expressed in United States Dollars)

|   | Notes | 2010              | 2009              |
|---|-------|-------------------|-------------------|
| <b>ASSETS</b>   |       |                   |                   |
| <b>Current assets</b>                                   |       |                   |                   |
| Cash and cash equivalents                               | 8     | 342,029           | 342,029           |
| Mudaraba investments                                    | 7     | 50,637            | 48,776            |
| Other receivables                                       | 6     | 983,621           | 1,108,490         |
|   |       | <u>1,376,287</u>  | <u>1,499,295</u>  |
| <b>Non-current assets</b>                               |       |                   |                   |
| Investment in real estate projects                      | 5     | 25,983,107        | 25,983,107        |
| <b>Total assets</b>                                     |       | <u>27,359,394</u> | <u>27,482,402</u> |
| <b>OBLIGATION TO UNIT HOLDERS<br/>AND LIABILITIES</b>   |       |                   |                   |
| <b>Current liabilities</b>                              |       |                   |                   |
| Other payables  | 10    | 3,544,075         | 11,926            |
| <b>Obligation to unit holders</b>                       |       |                   |                   |
| Unit holders' funds                                     | 9     | 18,019,128        | 21,546,900        |
| Retained earnings                                       |       | 5,796,191         | 5,923,576         |
|   |       | <u>23,815,319</u> | <u>27,470,476</u> |
| <b>Total obligation to unit holders and liabilities</b> |       | <u>27,359,394</u> | <u>27,482,402</u> |

These financial statements, set out on pages 1 to 11, were approved for issue by the Board of Directors on May 2011 and signed on its behalf by:



Director



Director

US Development Opportunities Fund I Limited  
Statement of comprehensive income for the year ended 31 December 2010  
(Expressed in United States Dollars)

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|   | <u>Notes</u> | <u>2010</u>      | <u>2009</u>      |
|---|--------------|------------------|------------------|
| <b>Income</b>   |              |                  |                  |
| Profits from mudaraba investments                             |              | <u>1,861</u>     | <u>1,610</u>     |
| <b>Expenses</b>   |              |                  |                  |
| General and administrative expenses                           | 11           | <u>(129,246)</u> | <u>(111,831)</u> |
| <b>Net loss and total comprehensive loss<br/>for the year</b> |              | <u>(127,385)</u> | <u>(110,221)</u> |

US Development Opportunities Fund I Limited  
Statement of changes in obligation to unit holders for the year ended 31 December 2010  
(Expressed in United States Dollars)

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|  | <u>Notes</u> | <u>Obligation to<br/>unit holders</u> | <u>Retained<br/>earnings</u> | <u>Total</u>      |
|--|--------------|---------------------------------------|------------------------------|-------------------|
| At 1 January 2009                        |              | 21,546,900                            | 6,033,797                    | 27,580,697        |
| Total comprehensive loss for<br>the year |              | <u>-</u>                              | <u>(110,221)</u>             | <u>(110,221)</u>  |
| At 31 January 2010                       |              | 21,546,900                            | 5,923,576                    | 27,470,476        |
| Capital distribution to unit holders     | 9            | (3,527,772)                           | -                            | (3,527,772)       |
| Total comprehensive loss for the year    |              | <u>-</u>                              | <u>(127,385)</u>             | <u>(127,385)</u>  |
| At 31 December 2010                      |              | <u>18,019,128</u>                     | <u>5,796,191</u>             | <u>23,815,319</u> |

US Development Opportunities Fund I Limited  
Statement of cash flows for the year ended 31 December 2010  
(Expressed in United States Dollars)

|  | Notes | 2010                  | 2009                  |
|--|-------|-----------------------|-----------------------|
| <b>Operating activities</b>                      |       |                       |                       |
| Net loss for the year                            |       | (127,385)             | (110,221)             |
| Changes in operating assets and liabilities:     |       |                       |                       |
| Other receivables                                |       | 124,869               | 111,831               |
| Mudaraba investments                             |       | (1,861)               | (1,610)               |
| Other payables                                   |       | <u>3,532,149</u>      | <u>-</u>              |
| Net cash provided by operating activities        |       | <u>-</u>              | <u>-</u>              |
| <b>Investing activities</b>                      |       |                       |                       |
| Net capital distributed to unit holders          | 9     | <u>(3,527,772)</u>    | <u>-</u>              |
| Net cash used in investing activities            |       | <u>(3,527,772)</u>    | <u>-</u>              |
| <b>Net increase in cash and cash equivalents</b> |       | <u>-</u>              | <u>-</u>              |
| Cash and cash equivalents, beginning of the year |       | <u>342,029</u>        | <u>342,029</u>        |
| Cash and cash equivalents, end of the year       | 8     | <u><u>342,029</u></u> | <u><u>342,029</u></u> |

**1 Organisation and activities**

US Development Opportunity Fund I Limited (the "Fund") is an exempt company incorporated under the laws of Cayman Islands on 22 November 2005.

The principal activities of the Fund is investing in real estate projects and other activities in accordance with the Articles of Association that are not prohibited under the Company Law (2004 revision) or as revised in the Cayman islands.

Ithmaar Bank BSC is the investment manager of the Fund.

The Fund is registered in the Cayman Islands.

**2 Basis of preparation**

***Statement of compliance***

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001.

***Basis of presentation***

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

***Functional currency***

The United States Dollar is the Fund's functional currency and also the currency in which the unitholders' fund is denominated. Accordingly, the financial statements have been prepared in United States Dollars.

***Improvements/amendments to IFRS (2010)***

Improvements/amendments 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 Company's 2011 annual audited financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

***Standards, amendments and interpretations effective in 2010 but not relevant***

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 July 2009/1 January 2010, but are not relevant to the Company's operations:

2 Basis of preparation (continued)

*Standards, amendments and interpretations effective in 2010 but not relevant (continued)*

| <u>Standard or Interpretation</u> | <u>Title</u>   | <u>Effective for annual periods beginning on or after</u> |
|-----------------------------------|--|---|
| IFRS 1                            | First-time Adoption of International Financial Reporting Standards | 1 July 2009/<br>1 January 2010                            |
| IFRS 2                            | Share Based Payments   | 1 July 2009/<br>1 January 2010                            |
| IFRS 3                            | Business Combinations  | 1 July 2009   |
| IFRS 5                            | Non-Current Assets Held for Sale and Discontinued Operations       | 1 July 2009/<br>1 January 2010                            |
| IFRS 8                            | Operating Segments   | 1 January 2010  |
| IAS 1                             | Presentation of Financial Statements                               | 1 January 2010  |
| IAS 7                             | Statement of Cash Flows  | 1 January 2010  |
| IAS 17                            | Leases   | 1 January 2010  |
| IAS 28                            | Investments in Associates  | 1 July 2009   |
| IAS 31                            | Interests in Joint Ventures  | 1 July 2009   |
| IAS 36                            | Impairment of Assets   | 1 January 2010  |
| IAS 38                            | Intangible Assets  | 1 July 2009   |
| IAS 39                            | Financial Instruments - Recognition and Measurement                | 30 June 2009/<br>1 July 2009/<br>1 January 2010           |
| IFRIC 9                           | Reassessment of Embedded Derivatives                               | 1 July 2009   |
| IFRIC 16                          | Hedges of Net Investment in a Foreign Operation                    | 1 July 2009   |
| IFRIC 17                          | Distributions of Non-cash Assets to Owners                         | 1 July 2009   |

*Standards, amendments and interpretations issued but not yet effective in 2010*

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2010 or subsequent periods have not been adopted early by the Company's management:

| <u>Standard or Interpretation</u> | <u>Title</u>  | <u>Effective for annual periods beginning on or after</u> |
|-----------------------------------|---|---|
| IFRS 1                            | First Time Adoption of International Financial Reporting Standards                      | 1 July 2010/<br>1 January 2011/<br>1 July 2011            |
| IFRS 3                            | Business Combinations   | 1 July 2010   |
| IFRS 7                            | Financial Instruments - Disclosures   | 1 January 2011/<br>1 July 2011                            |
| IFRS 9                            | Financial Instruments - Classification and Measurement                                  | 1 January 2013  |
| IAS 1                             | Presentation of Financial Statements  | 1 January 2011  |
| IAS 12                            | Income Taxes  | 1 January 2012  |
| IAS 24                            | Related Party Disclosures   | 1 January 2011  |
| IAS 27                            | Consolidated and Separate Financial Statements  | 1 July 2010   |
| IAS 32                            | Financial Instruments - Presentation  | 1 February 2010   |
| IAS 34                            | Interim Financial Reporting   | 1 January 2011  |
| IFRIC 13                          | Customer Loyalty Programmes   | 1 January 2011  |
| IFRIC 14                          | The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction | 1 January 2011  |
| IFRIC 19                          | Extinguishing Financial Liabilities with Equity Instruments                             | 1 July 2010   |

### 3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented.

#### *Investment in real estate projects*

Investment in real estate projects are initially recorded at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Investment in real estate projects are subsequently stated at their historical cost.

All purchases and sales of investments are recognised on the trade date, which is the date that the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. All gains and losses on disposal of investments are recognised in the statement of income in the year in which the transaction is finalised.

#### *Other receivables*

Other receivables are carried at their anticipated realisable values. An estimate is made for impaired other receivables based on a review of all outstanding amounts at the year-end.

#### *Provisions*

The Fund recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

#### *Mudaraba investments*

Mudaraba investments are accounted for at cost plus margin or sales price. The gains and losses, which result from Mudaraba transactions, are recognised in the statement of income over the period of the related contracts. Mudaraba investments have original maturities of less than 360 days but more than 90 days and are stated at historical cost less provision for impairment in value.

#### *Foreign currency transactions*

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

#### *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise of bank balances and Mudaraba investments with original maturities of three months or less.



**4 Critical accounting judgements and key source of estimation uncertainty**

Preparation of the financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to contingencies:

***Contingencies***

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**5 Investment in real estate projects**

|                 | 31 December<br>2010 | 31 December<br>2009 |
|-----------------|---------------------|---------------------|
| Transco project | <u>25,983,107</u>   | <u>25,983,107</u>   |

Investment in real estate projects consists of investments made by the Fund in a residential development project based in Miami, Florida, USA. The development of the properties is managed by Fairfield Residence L.L.C, the developer of the project.

**6 Other receivables**

|                                | 31 December<br>2010 | 31 December<br>2009 |
|--------------------------------|---------------------|---------------------|
| Advances towards fund expenses | <u>983,621</u>      | <u>1,108,490</u>    |

Other receivables represent advances made to Ithmaar Bank of Bahrain BSC, the investment managers of the Fund, to meet the future expenses of the fund.

**7 Mudaraba investments**

Mudaraba investments represent amounts placed with financial institutions, which have maturity periods of 360 days, and earn market rates of profit receivable on an annual basis. The profits from Mudaraba investments are recognised over the period of the related investment.

US Development Opportunities Fund I Limited  
Notes to the financial statements for the year ended 31 December 2010  
(Expressed in United States Dollars)

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**8 Cash and cash equivalents**

|               | 31 December<br>2010 | 31 December<br>2009 |
|---------------|---------------------|---------------------|
| Bank balances | <u>342,029</u>      | <u>342,029</u>      |

The current account balances with banks are non-interest bearing.

**9 Obligation to unit holders**

The obligation to unit holders consists of 48,420 units of US\$1,000 each. The movement in the obligation to the unit holders during the period is as follows:

|                                      | 31 December<br>2010 | 31 December<br>2009 |
|--------------------------------------|---------------------|---------------------|
| At 1 January                         | 21,546,900          | 21,546,900          |
| Capital distribution to unit holders | <u>(3,527,772)</u>  | <u>-</u>            |
| At 31 December                       | <u>18,019,128</u>   | <u>21,546,900</u>   |

During the year, the Fund has authorised capital distributions to the unit holders of US\$3,527,772 (2009: Nil). This was unpaid at the year end.

**10 Other payables**

|                  | 31 December<br>2010 | 31 December<br>2009 |
|------------------|---------------------|---------------------|
| Unit holders     | 3,527,772           | -                   |
| Accrued expenses | <u>16,303</u>       | <u>11,926</u>       |
|                  | <u>3,544,075</u>    | <u>11,926</u>       |

**11 General and administrative expenses**

|                                     | Year ended<br>31 December<br>2010 | Year ended<br>31 December<br>2009 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Professional fees                   | 28,710                            | 43,859                            |
| General and administrative expenses | <u>100,536</u>                    | <u>67,972</u>                     |
|                                     | <u>129,246</u>                    | <u>111,831</u>                    |

## 12 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the balance sheet include cash and cash equivalents, mudaraba investments, other receivables and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management is carried out by the investment manager of the Fund. The investment manager identifies, evaluates and hedges financial risks. The investment management provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Capital management

Capital comprise of unit holders' funds net of accumulated losses.

The primary objective of the Fund's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise owners value.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2010 and 2009.

The Fund monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Fund includes within net debt, other payables less cash and cash equivalents. Capital includes unit holders' funds net of accumulated losses.

|                                 | 31 December<br>2010 | 31 December<br>2009 |
|---------------------------------|---------------------|---------------------|
| Other payables                  | 3,544,075           | 11,926              |
| Less: cash and cash equivalents | <u>(342,029)</u>    | <u>(342,029)</u>    |
| Net debt                        | <u>3,202,046</u>    | <u>(330,103)</u>    |
| Unit holders' funds             | 18,019,128          | 21,546,900          |
| Retained earnings               | <u>5,796,191</u>    | <u>5,923,576</u>    |
| Total capital                   | <u>23,815,319</u>   | <u>27,470,476</u>   |
| Capital and net debt            | <u>27,017,365</u>   | <u>27,140,373</u>   |
| Gearing ratio                   | <u>11.85%</u>       | <u>-</u>            |

As net debt shows a negative balance as at 31 December 2009, the gearing ratio has not been calculated

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national banks with good credit ratings.

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund's foreign currency transactions are predominantly in Bahrain Dinars. As the Bahrain Dinar is effectively pegged to the United States Dollar, the management does not consider the Fund to have a significant currency rate risk.

**12 Financial assets and liabilities and risk management (continued)**

**Profit rate risk** is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Mudaraba receivables bear fixed rates of profit. Thus renegotiation only occurs when the Mudaraba deposits are renewed on maturity. The Fund's other assets and liabilities are not considered by management to be sensitive to interest rate risk.

**Liquidity risk** is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Fund management rigorously monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

**Fair value** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of the Fund's financial assets and liabilities are not materially different from their carrying amounts.

**13 Subsequent events**

There were no significant events subsequent to 31 December 2010 and occurring before the date of the report that has a major impact on these financial statements.

**14 Segmental information**

The Company's activities are restricted to an investment in a residential development project in the United States condominium market. These activities do not form a separate business segment. Accordingly, segment information has not been presented.

The Company's operations are restricted to the Cayman Islands, therefore no geographical segmental information has been presented.