

THARAWAT INVESTMENT HOUSE BSC (c)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010

Commercial registration	:	69624 (registered with Central Bank of Bahrain as an Investment Business Firm- Category 1 (Islamic Principle).
Office	:	Seef District, Building: 2334 PO Box 75780, Manama, Kingdom of Bahrain
Directors	:	Mr. Saeed Abdulla Al Misned, <i>Chairman</i> Mr. Mosa Bin Abdul Aziz Al Mosa, <i>Vice Chairman</i> Mr. Ali Bin Husain Al Sadah Mr. Khalid Bin Abdul Aziz Al Mosa HE Dr. Mohammed Khalfan bin Kherbash Mr. Nasir Salim Al Shamsi Mr. Tariq Ishaq Al Kooheji Mr. Arif Mohammed Al Alawi Dr. Adnan Sultan
Chief Executive Officer	:	Mr. Arif Mohammed Al Alawi
Bankers		Bahrain Islamic Bank, Bahrain Al Salam Bank, Bahrain Khaleeji Commercial Bank BSC, Bahrain
Auditors	:	KPMG Fakhro, Bahrain

FINANCIAL STATEMENTS
for the year ended 31 December 2010

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DIRECTORS' REPORT
for the year ended 31 December 2010**US\$**

We have pleasure in presenting the audited consolidated financial statements and the consolidated performance of Tharawat Investment House BSC (c) (the "Company") as at 31 December 2010 and for the year then ended.

Financial highlights

	31 December 2010	31 December 2009
Loss for the year	(2,188,380)	(3,859,614)
Total assets	28,363,675	29,446,934
Total equity	27,202,006	29,174,713

Representations and audit

There have been no events since 31 December 2010, which would invalidate the consolidated financial statements on pages 4 to 25.

The Company has maintained proper complete accounting records, which together with all other information and explanations have been made freely available to the auditors, KPMG.



Saeed Bin Abdulla Al Misned
Chairman

2 June 2011

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على رسوله الأمين وعلى آله وأصحابه أجمعين

Sharia'a Supervisory Board ("SSB") Report

To the Shareholder of THARAWAT Investment House

For the Financial Period Ending 31.12.2010

Dear Shareholders/

In compliance with our terms of reference, we are required to present the following report:

We have reviewed the principles and contracts relating to the transactions and applications conducted by THARAWAT Investment House during the course of the period from its incorporation up to December 31, 2010. Our review was conducted in order to judge whether the Company followed the principle of the Islamic *Sharia'a*, specific *Fatwas* and guidelines issued by *Sharia'a* Supervisory Board.

The Company's Management is responsible for ensuring that its operations are carried out in compliance with the rules and principles of the Islamic *Sharia'a*. It is our responsibility to present an independent view of the Company's operation and to communicate it to the shareholders.

Our review included a detailed analysis of each type of transaction with its relevant document and procedures adopted by the Company. The review was planned and performed so as to obtain all necessary information and explanation to provide sufficient evidence proving that the Company has not violated any rules and principles of the Islamic *Sharia'a*.

In our opinion:

- The Company's contracts, transactions and deals until the end of December 31, 2010 are in compliance with the rules and principles of the *Islamic Sharia'a*.
- The Company's allocation of profit and charging of losses relating to investment accounts are in compliance guidance issued in line with the rules and principles of the *Islamic Sharia'a*.
- The Company's calculation of *Zakat* is in compliance with the rules and principles of the *Islamic Sharia'a*.

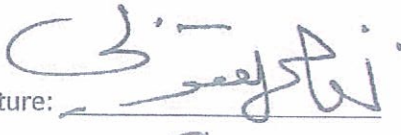
Date: 15th May 2011

SH. NEDHAM MOHAMED SALEH YAQOOBI

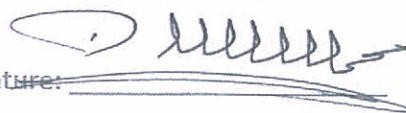
SH. MOHAMMAD ABDUL-RAHIM
SULTAN AL OLAMA

SH. OSAMA MOHAMED BAHAR

Signature:



Signature:



Signature:



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THARAWAT INVESTMENT HOUSE B.S.C. (c)**
Manama, Kingdom of Bahrain

6 June 2011

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Tharawat Investment House B.S.C. (c) ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of board of directors and auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the board of directors of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by Accounting and Auditing Organisation for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010 and the results of its operations, its cash flows and changes in equity for the year then ended, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Group.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law, we report that the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; the financial information contained in the Directors' report is consistent with the consolidated financial statements; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

During the year ended 31 December 2010, the Company purchased, as principal, land which cost US\$ 2,687,001 for the purposes of re-sale. The land was subsequently resold in the year for US\$ 3,978,779. The purchase of land is a violation of the terms of the Company's Investment Business Firm – Category 1 (Islamic Principles) license granted by the Central Bank of Bahrain ("CBB") and the terms of its memorandum and articles of association.

Except for the matter referred to in the preceding paragraph, we are not aware of any other violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the terms of the Company's license or its memorandum and articles of association, having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

US\$

	Note	31 December 2010	31 December 2009
ASSETS			
Cash and bank balances		939,557	1,450,900
Placements with financial and other institutions	4	11,254,458	14,879,197
Investments designated at fair value through the income statement	5	7,467,246	-
Available-for-sale investments	6	-	4,043,639
Held-for-sale investment	7	5,456,000	8,406,000
Receivable from sale of land	8	2,652,520	-
Other assets	9	400,814	337,486
Equipment	10	193,080	329,712
Total assets		28,363,675	29,446,934
LIABILITIES AND EQUITY			
LIABILITIES			
Redeemable non-controlling interest in the Fund	11	838,921	-
Accounts payable and accruals	12	322,748	272,221
Total liabilities		1,161,669	272,221
EQUITY			
Share capital	13	33,250,000	33,250,000
Available-for-sale investment fair value reserve		-	(215,673)
Accumulated losses		(6,047,994)	(3,859,614)
Total equity (page 6)		27,202,006	29,174,713
Total liabilities and equity		28,363,675	29,446,934

The consolidated financial statements were approved by the Board of directors on 2 June 2011 and signed on its behalf by:

Saeed Bin Abdulla Al Misned
 Chairman

Arif Mohammed Al Alawi
 Chief Executive Officer &
 Board Member

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2010

US\$

	Note	Year ended 31 December 2010	Period from 13 August 2008 to 31 December 2009
Income from placements with financial and other institutions	14	510,480	1,381,008
Profit on sale of land	15	1,291,778	-
Fees and commission	16	188,735	933,080
Income from investments designated at fair value through income statement	17	376,031	-
Income from available-for-sale investments		-	212,767
Total income		2,367,024	2,526,855
Staff costs	18	1,957,863	3,549,374
Impairment loss on receivable from sale of land	8	1,326,260	-
Other operating expenses	19	1,164,712	2,204,572
Depreciation	10	150,182	122,132
Pre-incorporation expenses	20	-	510,391
Change in redeemable non-controlling interest in the Fund		(43,613)	-
Total expenses		4,555,404	6,386,469
LOSS FOR THE YEAR		(2,188,380)	(3,859,614)

The consolidated financial statements were approved by the Board of directors on 2 June 2011 and signed on its behalf by:

Saeed Bin Abdulla Al Misned
Chairman

Arif Mohammed Al Alawi
*Chief Executive Officer &
 Board Member*

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

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

US\$

	Share capital	Available for sale investments fair value reserve	Accumulated losses	Total
2010				
At 1 January	33,250,000	(215,673)	(3,859,614)	29,174,713
Loss for the year	-	-	(2,188,380)	(2,188,380)
Transfer to profit or loss on reclassification (note 6)	-	215,673	-	215,673
Balance at 31 December	33,250,000	-	(6,047,994)	27,202,006

	Share capital	Available for sale investments fair value reserve	Accumulated losses	Total
2009				
Capital introduced during the period	33,250,000	-	-	33,250,000
Fair value changes	-	(215,673)	-	(215,673)
Loss for the period	-	-	(3,859,614)	(3,859,614)
Balance at 31 December 2009	33,250,000	(215,673)	(3,859,614)	29,174,713

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

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

US\$

	Year ended 31 December 2010	Period from 13 August 2008 to 31 December 2009
Loss for the period	(2,188,380)	(3,859,614)
Adjustments for:		
Depreciation	150,182	122,132
Loss on disposal of equipment	659	1,566
Fair value losses on investments at fair value through income statement	40,386	-
Provision for bad debts	1,326,260	-
Change in redeemable non-controlling interest in the Fund	(43,613)	-
Operating profit before working capital changes:	(714,506)	(3,735,916)
Increase in trade receivables	(3,978,779)	-
Increase in other assets	(63,328)	(337,486)
Increase in other liabilities	76,988	272,221
Cash flows from operating activities	(4,679,625)	(3,801,181)
INVESTING ACTIVITIES		
Payments of placements with financial and other institutions (with original maturity of greater than 3 months)	(2,615,575)	(4,706,092)
Purchase of AFS securities	-	(7,643,842)
Purchase of investments designated at fair value through income statement	(9,539,547)	-
Proceeds from sale of AFS securities	397,789	3,384,530
Proceeds from sale of investments designated at fair value through income statement	5,893,436	-
Purchase of assets held for sale	-	(8,406,000)
Proceeds from sale of assets held for sale	2,950,000	-
Purchase of equipment	(14,208)	(453,410)
Cash flows from investing activities	(2,928,105)	(17,824,814)
FINANCING ACTIVITIES		
Proceeds from ordinary share capital introduced during the period	-	33,250,000
Proceeds from redeemable non-controlling interest in the Fund	856,073	-
Cash flows from financing activities	856,073	33,250,000
Net (decrease) / increase in cash and cash equivalents	(6,751,657)	11,624,005
Cash and cash equivalents at beginning of the period	11,624,005	-
Cash and cash equivalents at 31 December	4,872,348	11,624,005
Cash and cash equivalents comprise:		
Cash and bank balance	939,557	1,450,900
Placements with financial and other institutions (maturing in less than three months)	3,932,791	10,173,105
	4,872,348	11,624,005

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**US\$****1 INCORPORATION AND PRINCIPAL ACTIVITY**

Tharawat Investment House B.S.C (c) (the "Company") was incorporated on 13 August 2008 in the Kingdom of Bahrain under Commercial Registration No. 69624. The Company operates under an Investment Business Firm – Category 1 (Islamic Principles) license granted by the Central Bank of Bahrain ("CBB").

The Company's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board whose role is defined in the Company's Articles of Association.

The principal activities of the Company include investing in products which comply with Islamic Shari'a rules and principles, providing advisory services to funds, managing discretionary portfolio as an agent.

During the year the Company acquired 89.7% of the units in Tharawat Sukuk Fund ("the Fund") which is an exempt open-ended collective investment undertaking pursuant to the principles of Collective Investment Undertaking Rules issued by the CBB. The Fund's objective is to generate returns by investing in a diversified portfolio of Sharia'a compliant income-producing Sukuks, investments and securities.

Consolidated financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise of the Company and its subsidiary, the Fund, together referred to as "the Group".

2 BASIS OF PREPARATION**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the requirements of the Bahrain Commercial Companies Law 2001. In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards.

(b) Basis of measurement

The consolidated financial statements are presented in US Dollars ("US\$"), which is also the principal currency of the Group's operations. The financial statements are prepared on the historical cost basis except for the measurement at fair value of available-for-sale ('AFS') investments and investments designated at fair value through income statement.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate and the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 21.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**US\$**2 *BASIS OF PREPARATION (continued)***(c) Functional and presentation currency**

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Company and its subsidiary, the Fund operates ('the functional currency'). The consolidated financial statements are presented in US\$, which is the Company's functional and Group's presentation currency.

3 **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year, except for those changes arising from revised/new AAOIFI standards, FAS 23 Consolidation, that are effective for annual reporting periods beginning 1 January 2010. The requirements of these standards are largely in line with the current policies followed by the Group for accounting of subsidiaries and the adoption of these standards did not result in any material impact on the consolidated financial statements.

(a) Basis of consolidation*Subsidiaries*

The consolidated financial statements of the Group comprise financial statements of the company and its subsidiaries, subsidiaries are those enterprises (including special purpose vehicles) controlled by the Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Investments (excluding held for sale investments)*Classification*

The Group classifies its investment securities in the following categories:

Investments designated at fair value through income statement are those investments which upon initial recognition are designated by the Group as at fair value through income statement. The Group designates an investment at fair value through the income statement when the investment is evaluated, managed, and reported on internally on a quoted fair value basis. These include investments in listed sukuks.

Available-for-sale investments are financial assets that are not investments designated at fair value through the income statement, held for trading, held-to-maturity, or loans and receivables. These include investments in listed sukuks.

Recognition and de-recognition

Investments are recognised on the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**US\$****3** *SIGNIFICANT ACCOUNTING POLICIES (continued)**Recognition and measurement*

Investments designated at fair value through income statement are initially recognised at fair value with fair value changes recognised in the consolidated income statement. Transaction costs related to these investments are charged to the consolidated income statement in the period in which they arise.

Available-for-sale investments are initially recognised at fair value, which is the cash consideration including transaction costs and re-measured subsequently to fair value. Gains and losses arising from a change in the fair value are recognised in a separate fair value reserve within equity. When the available-for-sale investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement.

Fair value

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 on the measurement date. The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument.

Impairment of available-for-sale investments

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of sukuk, classified as available-for-sale, impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the sukuk ("a loss event") and that loss event (or events") has an impact on the estimated future cash flows of the sukuk that can be reliably estimated. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on sukuk are subsequently reversed through the consolidated income statement.

(c) Held for sale investments

Held for sale investment represents a 22% equity stake in a company and is classified as held for sale as its carrying amount is expected to be recovered principally through a sale transaction within twelve months rather than through continuing use. It is carried at the lower of its carrying amount and fair value less costs to sell.

If the criteria for classification as held for sale are no longer met, the Group shall cease to classify the investment as held for sale and shall measure it at the lower of its carrying amount before the investment was classified as held for sale, adjusted for any revaluation that would have been recognised had the investment not been classified as held for sale and its recoverable amount at the date of the subsequent decision not to sell.

(d) Cash and cash equivalents

These include cash and bank balances and placements made using short-term shari'a compliant Murabaha, Wakalah and Mudarabah contracts.

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

US\$

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(e) Impairment of financial assets carried at amortised cost

At each reporting date the Group assesses whether there is objective evidence that a financial asset is impaired. Objective evidence that financial assets (including trade receivables) are impaired can include default or delinquency by a customer, indications that a customer or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of customers or issuers in the group, or economic conditions that correlate with defaults in the Group.

For financial assets carried at amortized cost impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

(f) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

(g) Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method to write-off the cost of the assets over their estimated useful lives or over the lease term in case of leasehold improvements as follows:

Furniture and fixtures	3 years
Leasehold improvements	3 years
Office equipment and computers	3 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, 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

US\$

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(i) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital.

(j) Revenue recognition

Income from Murabaha and Wakala contracts are recognised on a time-apportioned basis over the period of the contract using the effective profit rate method.

Income from advisory services is recognised as the related services are performed.

Dividend income is recognised when the Group's right to receive is established.

(k) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable purposes.

(l) Zakah

In accordance with its articles of association, the Group is not required to pay Zakah. However, the Group is required to calculate and notify, under a separate report, shareholders of their pro-rata share of the Zakah payable amount. These calculations are approved by the Shari'a Supervisory Board.

(m) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefits

Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme, which is a "defined contribution scheme" in nature, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Group are recognised as an expense in the consolidated income statement when they are due.

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 1976, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at reporting date. These benefits are in the nature of "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

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

US\$

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(n) Foreign currency transactions

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(o) Dividends and board remuneration

Dividends to shareholders and board remuneration are recognised as liabilities in the period in which they are declared.

(p) Trade date/ settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on trade date, i.e. the date that the Group contracts to purchase or deliver the asset. Regular way purchases or sale are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(q) Offsetting

Financial assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4 **PLACEMENTS WITH FINANCIAL AND OTHER INSTITUTIONS**

	31 December 2010	31 December 2009
Gross commodity Murabaha receivables	5,852,823	6,292,552
Less: Deferred profits	(52,378)	(57,687)
	5,800,445	6,234,865
Wakalah placements	1,921,223	4,706,092
Mudarabah placements	3,532,790	3,938,240
	11,254,458	14,879,197

The average profit rate on commodity Murabaha and Mudarabah placements for 2010 was 4.19% per annum (2009: 4.5% per annum). The average profit rate on Wakalah placements for 2010 was 3.61% per annum (2009: 3.65% per annum).

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

US\$

5 INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH THE INCOME STATEMENT

Investments designated at fair value through the income statement represent investments in listed Sukuk (note 6).

6 AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2010	31 December 2009
Opening balance	4,043,639	-
Additions		7,643,842
Disposals	(397,789)	(3,396,807)
Realized gains	(24,734)	61,810
Unrealized fair value losses	-	(265,206)
Reclassified to fair value through the income statement*	(3,621,116)	-
	-	4,043,639

*During the year, the parent company transferred these investments to the Fund, a subsidiary, which accounted for them as investments designated at fair value through the income statement (note 5).

7 HELD-FOR-SALE INVESTMENT

Held-for-sale investment represents a 22% (2009: 35%) equity stake in an associate unquoted technology company which the Group is selling down to investors. During the year, the Group sold a portion of its investment amounting to US\$ 2,950,000 (2009: US\$ 850,000) to investors and recognised income of US\$ nil (2009: US\$ nil) from the transaction. The Group is in the process of selling down the remaining retained investment of US\$ 5,456,000.

8 RECEIVABLE FROM SALE OF LAND

	31 December 2010	31 December 2009
Gross receivable	3,978,779	-
Less: Impairment provision	(1,326,259)	-
	2,652,520	-

The impairment provision of US\$ 1,326,259 represents the amount required to reduce the carrying amount of the receivable from US\$ 3,978,779 down to the value of land held as collateral by the Group of US\$ 2,652,520. The value of the land is based on the lower of two valuations carried out by independent valuers.

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

US\$

9 OTHER ASSETS

	31 December 2010	31 December 2009
Prepayments	92,119	73,324
Other receivables	308,695	264,162
	400,814	337,486

10 EQUIPMENT

	Office Equipment & Computers	Furniture & Fixtures	Leasehold improvements	2010 Total	2009 Total
Cost					
At 1 January 2010	339,938	30,817	80,716	451,471	-
Additions	14,208	-	-	14,208	453,410
Disposal	(1,581)	-	-	(1,581)	(1,939)
At 31 December 2010	352,565	30,817	80,716	464,098	451,471
Accumulated Depreciation					
At 1 January 2010	78,526	16,347	26,885	121,759	-
Charge for the period	115,625	10,301	24,256	150,182	122,132
Disposal	(922)	-	-	(922)	(374)
At 31 December 2010	193,229	26,648	51,141	271,018	121,759
Net book value at 31 December 2010	159,336	4,169	29,575	193,080	329,712
Net book value at 31 December 2009	261,412	14,470	53,830	329,712	

11 REDEEMABLE NON-CONTROLLING INTEREST IN THE FUND

	31 December 2010	31 December 2009
Initial contribution by redeemable non-controlling unit holders in the Fund	882,534	-
Change in redeemable non-controlling interest during the year	(43,613)	-
	838,921	-

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11 *REDEEMABLE NON-CONTROLLING INTEREST IN THE FUND (continued)*

The Company owns 89.7% of the units of the Tharawat Sukuk Fund (the "Fund"). The ownership of these units enables the Company to have a right to exercise control on the Fund and as a result of this, the Company recognises the Fund as its subsidiary. As the Fund has an obligation to redeem these units they qualify as a financial liability of the Fund, and also of the Group.

The Company's share of the units are eliminated on consolidation and the redeemable non-controlling interest representing (10.3% of the Units) in the Fund is recognised as a liability of the Group. The share of changes in the net assets of the Fund attributable to the non-controlling interest is recognised as an income or expense of the Group and is included as part of the liability towards the redeemable non-controlling interest.

12 **ACCOUNTS PAYABLE AND ACCRUALS**

	31 December 2010	31 December 2009
Employee related accruals	21,963	52,966
Other payables and accrued expenses	300,785	219,255
	322,748	272,221

13 **SHARE CAPITAL**

	31 December 2010	31 December 2009
Authorised:		
100,000,000 ordinary shares of US\$ 1 each	100,000,000	100,000,000
Issued and fully paid up:		
33,250,000 ordinary shares of US\$ 1 each	33,250,000	33,250,000

The Company has only one class of equity shares and the holders of these shares have equal voting rights.

14 **INCOME FROM PLACEMENTS WITH FINANCIAL AND OTHER INSTITUTIONS**

	2010	2009
Wakalah	109,005	872,539
Murabaha	271,090	298,201
Mudarabaha	130,385	210,268
	510,480	1,381,008

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15 PROFIT ON SALE OF LAND

During the year, the Group realised a profit of US\$ 1,291,778 on the sale of land it had purchased for US\$ 2,687,001. An impairment provision of US\$ 1,326,259 is held against the receivable arising from the sale of US\$ 3,978,779 (note 8).

16 FEES AND COMMISSIONS

	2010	2009
Marketing fees	-	925,580
Placement fees	13,735	7,500
Advisory fees	175,000	-
	188,735	933,080

17 INCOME FROM INVESTMENTS AT FAIR VALUE THROUGH THE INCOME STATEMENT

	2010	2009
Profit earned	253,713	-
Net fair value loss	(40,386)	-
Realized gain on disposal	162,704	-
	376,031	-

18 STAFF COSTS

	2010	2009
Salaries and benefits	1,701,038	3,250,948
Social insurance expenses	176,208	266,745
Other staff expenses	80,617	31,681
	1,957,863	3,549,374

19 OTHER OPERATING EXPENSES

	2010	2009
Travel expenses	174,200	241,934
Rent	95,490	143,150
Marketing expenses	68,737	-
Foreign exchange loss	16,051	25,478
Legal & professional fees	173,115	340,243
IT expenses	43,845	15,845
Communication	44,980	917,884
Utilities	61,056	69,634
Business expenses	200,325	404,062
Repairs and maintenance	11,368	19,265
Fees and commission	102,152	-
Others	173,393	27,077
	1,164,712	2,204,572

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for the year ended 31 December 2010

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20 PRE-INCORPORATION EXPENSES

	2010	2009
Employee costs	-	303,183
Other expenses	-	207,208
	-	510,931

21 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimations

Impairment of available-for-sale investments

Investments are evaluated for impairment on the basis described in accounting policy 3 (b) Each investment exposure is evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received.

Impairment of receivables

The Group reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. Each counterparty exposure is evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying assets, if any.

22 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 the significant shareholders and entities over which the Group and the shareholders exercise significant influence, directors and executive management of the Group.

There are no related party balances and transactions included in these consolidated financial statements except for compensation of key managerial personnel.

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

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22 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation during the period is as follows:

	2010	2009
Board member fees	30,000	15,000
Salaries and other short-term benefits	589,446	1,031,406

23 SHARI'A SUPERVISORY BOARD

The Group has a Shari'a Supervisory Board, which reviews the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

24 ZAKAH

Zakah is directly borne by the shareholders on distributed profits. The Group currently does not collect or pay Zakah on behalf of its shareholders and investors of managed assets. Zakah payable by the shareholders is computed by the Group on the basis of the method prescribed by the Group's Shari'a Supervisory Board and notified to shareholders annually. Zakah payable by the shareholders for the period ended 31 December 2010 is 2.58% of total equity (2009: 3.65% of total equity).

25 ASSETS UNDER MANAGEMENT

The Group does not hold any assets under management (2009: nil).

26 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segment. The Group only operates in one primary segment of fund administration.

27 MATURITY PROFILE

The maturity profile of placements with and from financial institutions have been presented using their contractual maturity period. For other balances, maturity profile is based on expected cash flows/ settlement profile of the respective assets and liabilities.

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

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27 MATURITY PROFILE (continued)

2010	Up to 3 months	3 months to 1 year	1 to 3 years	Total
Assets				
Cash and bank balances	939,557	-	-	939,557
Wakalah placements	1,126,968	794,255	-	1,921,223
Mudaraba placements	3,532,790	-	-	3,532,790
Murabaha receivables	619,195	5,181,250	-	5,800,445
Investments designated at fair value through the income statement	-	-	7,467,246	7,467,246
Held-for-sale investments	-	5,456,000	-	5,456,000
Receivable from sale of land	-	2,652,520	-	2,652,520
Other assets	400,814	-	-	400,814
Equipment	-	-	193,080	193,080
Total assets	6,619,324	14,084,025	7,660,326	28,363,675
Liabilities				
Redeemable non-controlling interest in the Fund	838,921	-	-	838,921
Account payable and accruals	322,748	-	-	322,748
Total liabilities	1,161,669	-	-	1,161,669

2009	Up to 3 months	3 months to 1 year	1 to 3 years	Total
Assets				
Cash and bank balances	1,450,900	-	-	1,450,900
Wakalah placements	4,706,092	-	-	4,706,092
Mudaraba placements	3,938,240	-	-	3,938,240
Murabaha receivables	6,234,865	-	-	6,234,865
Available-for-sale investments	-	-	4,043,639	4,043,639
Held-for-sale investments	-	8,406,000	-	8,406,000
Other assets	337,486	-	-	337,486
Equipment	-	-	329,712	329,712
Total assets	16,667,583	8,406,000	4,373,351	29,446,934
Liabilities				
Account payable and accruals	272,221	-	-	272,221
Total liabilities	272,221	-	-	272,221

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28 CONCENTRATION OF ASSETS AND LIABILITIES**(a) Industry sector**

2010	Banks and financial institutions	Government	Unquoted technology company	Others	Total
Assets					
Cash and bank balances	939,557	-	-	-	939,557
Wakalah placements	1,921,223	-	-	-	1,921,223
Mudaraba placements	3,532,790	-	-	-	3,532,790
Murabaha receivables	5,800,445	-	-	-	5,800,445
Investments designated at fair value through the income statement	2,553,069	2,049,833	-	2,864,344	7,467,246
Held-for-sale investments	-	-	5,456,000	-	5,456,000
Receivable from sale of land	-	-	-	2,652,520	2,652,520
Other assets	-	-	-	400,814	400,814
Equipment	-	-	-	193,080	193,080
Total assets	14,747,084	2,049,833	5,456,000	6,110,758	28,363,675
Liabilities					
Redeemable non controlling interest in the Fund	-	-	-	838,921	838,921
Accounts payable and accruals	-	-	-	322,748	322,748
Total liabilities	-	-	-	1,161,669	1,161,669
2009					
	Banks and financial institutions	Government	Unquoted technology company	Others	Total
Assets					
Cash and bank balances	1,450,900	-	-	-	1,450,900
Wakalah placements	4,706,092	-	-	-	4,706,092
Mudaraba placements	3,938,240	-	-	-	3,938,240
Murabaha receivables	6,234,865	-	-	-	6,234,865
Available-for-sale investments	1,295,634	1,589,871	-	1,158,134	4,043,639
Held-for-sale investments	-	-	8,406,000	-	8,406,000
Other assets	-	-	-	337,486	337,486
Equipment	-	-	-	329,712	329,712
Total assets	17,625,731	1,589,871	8,406,000	1,825,332	29,446,934
Liabilities					
Accounts payable and accruals	-	-	-	272,221	272,221
Total liabilities	-	-	-	272,221	272,221

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010****US\$****28** *CONCENTRATION OF ASSETS AND LIABILITIES (continued)***(b) Geographic sector**

Concentration by location for investments is measured based on the location of the underlying assets, the Company's exposure is focused on the GCC.

29 FAIR VALUE

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

The fair value of the financial assets and liabilities of the Company are not materially different from their carrying values.

30 RISK MANAGEMENT**Introduction and overview**

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

- credit risk
- liquidity risk
- currency risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has established the Investment Committee and Management Committee, which are responsible for developing and monitoring risk management policies in their specified areas.

The Management Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's exposure to risks and its approach to managing these risks are discussed below.

a) Credit risk

Credit risk is the risk that a counterparty to a financial transaction does not discharge its obligations on due dates and cause the other party to incur a financial loss. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

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30 *RISK MANAGEMENT (continued)*

The Group's maximum exposure to credit risk at 31 December 2010 was as follows:

	31 December 2010	31 December 2009
Cash and cash equivalents	939,557	1,450,900
Placements with financial and other institutions	11,254,458	14,879,197
Available-for-sale investments	-	4,043,639
Investment designated at fair value through the income statement	7,467,246	-
Receivable from sale of land	2,652,520	-
Other assets	400,814	337,486
Maximum exposure to credit risk	22,714,595	20,711,222

The Group's credit risk on placements with financial institutions and others is limited as these are placed with financial and other institutions of good standing in the GCC. The investments have been evaluated on a case-by-case basis and management has assessed that the exposures are currently performing and not impaired.

Impaired receivables

Impaired receivables are those for which the Group determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the receivables agreement(s). The value of impaired receivables as at 31 December 2010 is US\$ 2,652,520 (2009: US\$ nil) (see note 8).

b) Currency risk

The Group is not exposed to significant currency risks as all of the transactions are either in US\$ or in currencies which are pegged to the US\$.

c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without risking damage to the Group's reputation. The maturity profile of assets and liabilities is set out in note 26. The Group maintains a healthy balance of liquid assets to meet liabilities when they fall due.

d) Profit rate risk

Profit rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's profit rate sensitive assets are mainly placements with financial institutions and others. Profit rate risk is limited as these are short term in nature.

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30 *RISK MANAGEMENT (continued)*

The average annualised profit rates earned on financial assets were as follows:

	2010	2009
Wakalah placements	3.61%	3.65%
Mudaraba placements	4.50%	4.50%
Murabaha receivables	3.89%	4.50%

e) Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department is in charge of identifying, monitoring and managing operational risk in the Company. The Group already has an approved policy for doing this and all required organizational and physical infrastructure are in place.

f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as the return on equity, and the level of dividends.

The Company's regulatory capital position at 31 December was as follows:

	31 December 2010	31 December 2009
Total risk weighted assets	11,548,367	11,083,566
Tier 1 capital	27,258,029	29,390,386
Tier 2 capital	-	-
Total regulatory capital	27,258,029	29,390,386
Total regulatory capital expressed as a percentage of total risk weighted assets (%)	236	265

The Company has complied with all externally imposed capital requirements throughout the period.

Capital allocation

The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Group's capital management policy seeks to maximise return on risk adjusted while satisfying all the regulatory requirements.

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31 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

The following accounting standards and interpretations have been issued by AAOIFI during 2010 and are mandatory for the Group's accounting for annual periods beginning on or after 1 January 2011 and are expected to be relevant to the Group:

FAS 25 Investment in sukuk, shares and similar instruments

FAS 25 was issued in July 2010 and replaced FAS 17 *Investments* for accounting of investments. FAS 25 retains and simplifies the mixed measurement model and establishes two measurement categories for investments: amortised cost and fair value. The standard requires each investment to be first segregated as either debt-type or equity type instruments, and the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the investment. For equity-type investments, an irrevocable election can be made at initial recognition, to recognise unrealised fair value gains and losses through equity rather than through the income statement. Reclassification between categories is not permitted. The guidance in FAS 17 on 'investment in real estate' continues to apply. The new standard requires retroactive application.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

32 COMPARATIVES

Where necessary, comparative figures have been re-grouped to conform with changes in presentation of the current year.