Inovest B.S.C.

SHARI'A SUPERVISORY BOARD REPORT, REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Administration and contact details as at 31 December 2016

Commercial registration number	**48848 obtained on 18 June 2002**
Board of Directors	
Khaled Saoud Al Sanousi	- Chairman
Fareed Soud Al-Fozan	- Vice-Chairman
Bashar Naser Al-Tuwaijri	- Director
Bader Khalifa Al Adsani	- Director
Yousif Al Rasheed Al Bader	- Director
Mohammed Ebraheem Alnughaimish	- Director
Othman Al Quraishi	- Director
Chief Executive Officer	
Murad Al Ramadan	
Board Secretary	
Riyadh Mahmood Mulla	
Sharia'a Supervisory Board	
Sheikh Dr. Khalid Shuja'a Al-Otaibi	- Chairman
Sheikh Dawoud Salman Bin Essa	- Vice-Chairman
Sheikh Dr. Murad Bou Daia	- Member
Corporate Governance Committee members	
Fareed Soud Al-Fozan	- Chairman
Yousif Al Rasheed Al Bader	- Vice-Chairman
Khaled Saoud Al Sanousi	- Member
Mohammed Ebraheem Alnughaimish	- Member
Sheikh Dawoud Salman Bin Essa	- Member
Audit Committee members	
Bader Khalifa Al Adsani	- Chairman
Bashar Naser Al-Tuwaijri	- Vice-Chairman
Othman Al Quraishi	- Member
Nomination and Remuneration Committee members	
Khaled Saoud Al Sanousi	- Chairman
Fareed Soud Al-Fozan	- Vice-Chairman
Yousif Al Rasheed Al Bader	- Member
Mohammed Ebraheem Alnughaimish	- Member
Risk Committee members	
Othman Al Quraishi	- Chairman
Bader Khalifa Al Adsani	- Vice-Chairman
Bashar Naser Al-Tuwaijri	- Member

Administration and contact details as at 31 December 2016

Registered office	19th floor, East Tower Bahrain Financial Harbour P.O. Box 18334 Manama Kingdom of Bahrain Telephone no. +973 1715 5777
Bankers	Bahrain Islamic Bank B.S.C. Ithmaar Bank B.S.C. Kuwait Finance House (Bahrain) B.S.C. (c) Kuwait Finance House (Kuwait) K.S.C.P. Boubyan Bank (Kuwait) Khaleeji Commercial Bank B.S.C. Al Baraka Islamic Bank B.S.C. (c) Al Salam Bank, Bahrain B.S.C.
Auditor	Ernst & Young (EY) P.O. Box 140 11th Floor, Bahrain World Trade Center Manama, Kingdom of Bahrain
Registrars	Karvy Computershare W.L.L. Al Zamil Tower, Manama Centre P.O. Box 514 Manama Kingdom of Bahrain Kuwait Clearing Company S.A.K. P.O. Box 22077 Safat 13081 State of Kuwait

Sharia Supervisory Board Report on the Activities of Inovest BSC
For the Financial Year Ended on 31 December 2016

In the Name of Allah, The Beneficent, The Merciful To the Shareholders of Inovest B.S.C. **"the Company"**

Assalamu Alaykum Wa Rahmatu Allah Wa Barakatuh

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by **the Company** during the year ended 31 December 2016. We have also conducted our review to form an opinion as to whether **the Company** has complied with Shari'a Rules and Principles and also with the specific fatwas, rulings and guidelines issued by us.

The Company's management is responsible for ensuring that **the Company** conducts its business in accordance with Shari'a Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of **the Company**, and to report to you.

We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by **the Company**.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that **the Company** has not violated Shari'a rules and principles.

In our opinion:

A. The contracts, transactions and dealings entered into by **the Company** during the year ended 31 December 2016 that we have reviewed are in compliance with the Shari'a rules and principles;
B. All earnings that have been realized from sources or by means prohibited by Shari'a rules and principles have been disposed of to charitable causes; and
C. The calculation of Zakah is in compliance with Shari'a rules and principles.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

Wassalamu Alaykum Wa Rahmateu Allah Wa Barakatuh

Shaikh Dr. Khalid Shuja'a Al-Otaibi
Chairman

Shaikh Dawoud Salaman Bin Essa
Vice Chairman

Shaikh Dr. Murad Bou Daia
Member

Date 23-01-2017

Chairman's Statement
For the year ended, 31st December 2016

In the name of Allah, Most Gracious, Most Merciful

On behalf of myself and the members of the Board of Directors, I am proud to present the Group annual report for the financial year ending on the 31st of December 2016.

In light of world changes across this year, it would befit to begin with a background look at the principle economic factors that impact us; from the unrestrained nature of the world economy this year, to the regional socio-economic challenges institutions such as ourselves have faced, to the shifting nature of investor sentiment in recent times. Yet, I am inclined instead to begin with developments on a more immediate front within Inovest itself.

This fiscal year has been a significant one for Inovest. The organization celebrated its 15-year anniversary, a noted occasion for any entity, but especially so for us as it marked a true turnaround year. In 2015, we spoke of challenging our status quo through a three-year strategy, and this year marks the first year of decisively doing so; of harnessing the momentum of change to pave the way for a brighter future.

We envisioned a critical turning point in 2016, and so it has been.

Company Performance

Despite a challenging business environment, Inovest enacted the first leg of its strategy; the Group held true to its promise of strategic progress and to a prime objective – profit. Accordingly, in 2016 Inovest delivered, for the first time in several years, a marked return to profitability. With the close of 2016, the Group posted a consolidated net profit attributable to equity shareholders of US$ 10.1 million as compared to a net loss of US$ 48.1 million last year. This significant turnaround stands testament to the Group's three-year strategy (2016-2018) which included key targets such as a return to profitability in 2016. This critical objective was successfully achieved as a result of the effective management of operating expenses, successful investment exits, improving performance of existing investments, and a reduction in financing costs which dropped by a significant 74%, as well as a debt restructuring, as financing to banks dropped by 31%. Furthermore, The Group witnessed an increase in revenues from construction activities led by Tamcon, Inovest's contracting subsidiary.

Further highlights stemming from the implementation of the Group strategy include an increase of 788% in operating income, from US$1.8 million in 2015 to US$16 million in 2016. Additionally, prudent management of operating expenses, resulted in a decline of 23% from US$ 11.1 million in 2015 to US$ 8.5 million this year. Total Assets declined slightly by 4.7% amounting to US$ 263 million in 2016 in comparison to US$ 276 million in 2015, while Total Liabilities decreased by 13.2% amounting to US$125 million in 2016 compared to US$144 million in 2015. Return on Equity stands at 8%, the Liquidity Ratio stands at 15%, and the Capital Adequacy Ratio stands at 19% above the regulatory limit. On another front, the strategy also encompassed greater streamlining within the management team. Under the leadership of Murad Al Ramadan who held the reigns as acting CEO, and was officially appointed CEO at the start of the fiscal year, enhanced communication and reduced complexity became clear standards. The Group also sought to address and resolve outstanding regulatory and legal matters taking on the necessary measures to clear the uncertainty associated to them.

By all means, it is the Board and management's intention to continue these efforts towards sustaining profitability well into 2017 and beyond. The successful close of the first chapter of our three-year strategy means the engagement of a second phase in which we focus on investing to diversify our portfolio, to further modernize and streamline our operations, to improve on our project infrastructure and performance even more, and to strengthen our capital.

Future Outlook

There is no doubt that the global and regional macroeconomic environment in the year to come will be a challenging one. The continued depression of oil prices in a region that is heavily oil dependent has forced regional governing bodies to look very seriously at structural reforms, and at the regulatory and institutional frameworks that are requirements for diversification. Further uncertainty on the repercussions of International and US foreign policy within the region is a compounding factor. Having said this, we humbly believe that our resilience built through 15 years of experience and through a deep understanding of our strengths and weaknesses will equip us to weather any challenges that may come our way.

The Inovest team knows full well that we are not without residual challenges, nor are we exempt form new ones. However, we also know and pride ourselves on the strength of our opportunistic approach to investment. We will continue to build long term relationships with key strategic partners and anticipate that the results of our work will be reflected in our performance. Going forward, our focus in the future activates a number of strategic investment approaches. On one end, Tamcon, our construction company, will continue to deliver upon new and current contracts such as the Government mandated projects within the Southern Governorate. Additionally, we envision the actuation of the Bahrain Investment Wharf (BIW) to tie into the national drive to attract Foreign Direct Investment (FDI) into the Kingdom. Finally, we intend to engage new revenue generating investment streams through well assessed direct investment opportunities. As such, though we remain mindful of the uncertainties that lay ahead, the Group will strive forward in its pursuit of risk balanced and diversified growth in the year to come.

In Closing

In my capacity as Chairman, and on behalf of the members of the Board of Directors, I would like to extend my sincere thanks to our shareholders, for their support and belief in the company and its executive management. I would also like to extend my gratitude to our stakeholders; investors, partners, and without a doubt our executive management and dedicated staff members whose commitment and consistent efforts are critical to our success. Finally, I would like to thank my fellow board members for their time and considerable efforts.

We pray to Almighty Allah to support us in achieving continued success. Amen.

On behalf of the Board of Directors,

Khaled Al Sanaousi
Chairman

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working world

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

Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Inovest B.S.C. (the "Company") and its subsidiaries (together the "Group"), as of 31 December 2016, and the related consolidated statements of income, cash flows, changes in owners' equity and sources and uses of charity fund for the year then ended. 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 Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2016, the results of its operations, its cash flows, changes in owners' equity and sources and uses of charity fund for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C. (continued)

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain ("CBB") Rule Book (Volume 4), we report that:

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

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

Except for what has been reported in note 1 to the consolidated financial statements, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2016 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Group has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

Ernst + Young

Partner's registration no: 115
12 February 2017
Manama, Kingdom of Bahrain

Inovest B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 US$ '000	2015 US$ '000
ASSETS			
Cash and bank balances	6	40,066	40,430
Accounts receivable	7	38,237	39,850
Investment in real estate lease right receivables	8	9,246	-
Investments	9	18,983	18,753
Investment in a joint venture and associates	10	91,629	91,692
Investments in real estate	11	41,564	54,817
Property, plant and equipment	12	16,090	11,858
Other assets	13	7,040	12,066
Non-current asset held for sale	27	-	6,822
TOTAL ASSETS		262,855	276,288
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Accounts payable	14	108,323	120,500
Financing from a bank	15	16,408	23,865
Total liabilities		124,731	144,365
Equity			
Share capital	16	114,604	114,604
Less: Treasury shares	16	(651)	(651)
		113,953	113,953
Share premium	17	-	30,760
Reserves	17	1,413	21,515
Retained earnings / (accumulated losses)		9,118	(51,873)
Equity attributable to Parent's shareholders		124,484	114,355
Non-controlling interest		13,640	17,568
Total owners' equity		138,124	131,923
TOTAL LIABILITIES AND OWNERS' EQUITY		262,855	276,288

Khaled Saoud Al Sanousi
Chairman

Murad Al Ramadan
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

Inovest B.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	Note	*2016* *US$ '000*	*2015* *US$ '000*
OPERATING INCOME			
Net income from construction contracts	18	7,651	4,817
Income / (loss) from investment in real estate	19	3,500	(2,161)
Income from investments	20	1,491	781
Fee for management and other services	21	1,838	961
Net share of loss from investment in a joint venture and associates	10	(301)	(3,760)
Other income	22	1,791	1,161
TOTAL OPERATING INCOME		15,970	1,799
OPERATING EXPENSES			
Staff costs	23	4,702	4,914
General and administrative expenses	24	2,632	2,902
Financing costs		723	2,828
Property related expenses		156	260
Depreciation	12	312	270
TOTAL OPERATING EXPENSES		8,525	11,174
NET OPERATING PROFIT / (LOSS)		7,445	(9,375)
Recoveries / (provision) - net	25	2,640	(44,353)
PROFIT / (LOSS) FOR THE YEAR		10,085	(53,728)
Attributable to :			
Equity Shareholders of the Parent		10,105	(48,092)
Non-controlling Interest		(20)	(5,636)
BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE (US cents)	26	3.55	(16.88)

Khaled Saoud Al Sanousi
Chairman

Murad Al Ramadan
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2016

	Share capital US$ '000	Treasury shares US$ '000	Share premium US$ '000	Reserves: Statutory reserve US$ '000	Reserves: Share option reserve US$ '000	Retained earnings / (accumulated losses) US$ '000	Total US$ '000	Non controlling interest US$ '000	Total owners' equity US$ '000
Balance at 1 January 2016	114,604	(651)	30,760	21,473	42	(51,873)	114,355	17,568	131,923
Acquisition of non- -controlling interest	-	-	-	-	-	-	-	(3,884)	(3,884)
Gain on acquisition of non-controlling interest	-	-	-	-	-	24	24	(24)	-
Transfer to reserves *	-	-	(30,760)	(21,113)	-	51,873	-	-	-
Profit for the year	-	-	-	-	-	10,105	10,105	(20)	10,085
Transfer to statutory reserve	-	-	-	1,011	-	(1,011)	-	-	-
Balance at 31 December 2016	**114,604**	**(651)**	**-**	**1,371**	**42**	**9,118**	**124,484**	**13,640**	**138,124**
Balance at 1 January 2015	114,604	(651)	30,760	21,473	42	(3,781)	162,447	-	162,447
Acquisition during the year (note 5)	-	-	-	-	-	-	-	23,204	23,204
Net loss for the year	-	-	-	-	-	(48,092)	(48,092)	(5,636)	(53,728)
Balance at 31 December 2015	114,604	(651)	30,760	21,473	42	(51,873)	114,355	17,568	131,923

* During the year, based on the approval from Ministry of Industry and Commerce (MOIC) via letter dated 5 April 2016, the Group has set-off its accumulated losses of US$ 52 million against its share premium and statutory reserves.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY

For the year ended 31 December 2016

	2016 *US$ '000*	*2015* *US$ '000*
Sources of charity funds		
Undistributed charity funds at the beginning of the year	626	626
Contributions by the Company	-	-
Total sources of charity funds during the year	626	626
Uses of charity funds		
Contributions for charitable purposes	-	-
Total uses of funds during the year	-	-
Undistributed charity funds at 31 December	626	626

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 US$ '000	2015 US$ '000
OPERATING ACTIVITIES			
Net profit / (loss) for the year		10,085	(53,728)
Adjustments for:			
Depreciation	12	1,734	947
(Recoveries) / provision - net	25	(2,640)	44,353
Net share of loss from investment in joint a venture and associates	10	301	3,760
Gain on purchase of investment in associate	20	(10)	-
Realised gain on sale of investment in real estate	19	(1,403)	(374)
Realised gain on sale of non-current asset held for sale	20	(871)	-
Realised loss / (gain) on sale of investments	20	3	(72)
Unrealised fair value loss on investment in real estate	11	-	3,160
		7,199	(1,954)
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		1,372	(6,632)
Accounts receivable		4,253	(6,992)
Accounts payable		(12,177)	41,693
Receivable from Investment in real estate lease right receivables		(93)	-
Other assets		5,026	-
Net cash from operating activities		5,580	26,115
INVESTING ACTIVITIES			
Proceeds from sale of investment		263	-
Purchase of investments		(496)	-
Acquisition of a subsidiary	5	-	47
Acquisition of further shares of subsidiary		(3,884)	-
Purchase of investment in real estate	11	(3,154)	(418)
Proceeds from sale of investment in real estate - net	11	8,657	9,931
Purchase of investment in a joint venture and associates	10	(228)	(326)
Proceeds from disposal / capital redemption from investment in a joint venture and associates	10	-	6,347
Dividends received from a joint venture and associates	10	-	636
Sale of non-current asset held for sale		7,693	-
Purchase of property, plant and equipment	12	(5,966)	(5,003)
Proceeds from sale of property, plant and equipment		-	5
Net cash from investing activities		2,885	11,219
FINANCING ACTIVITY			
Net movement in financing from a bank	15	(7,457)	(12,118)
Net cash used in financing activity		(7,457)	(12,118)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		1,008	25,216
Cash and cash equivalents at the beginning of the year		31,609	6,393
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	32,617	31,609
Non cash transactions comprise:			
Recognition of investment in a joint venture and associates (acquisition of a subsidiary)	5	-	55,509
Derecognition of investment in a joint venture and associates (acquisition of a subsidiary)	5	-	27,623
Non-controlling interest (acquisition of a subsidiary)	5	-	23,204
Contribution of investment in real estate	5	-	4,242
Net movement in receivables (acquisition of a subsidiary)		-	124
Trade and other payables (acquisition of a subsidiary)		-	375
Transfer from properties under development to investment in real estate		-	5,457
Investment in joint venture transfer to non-current asset held for sale	27	-	6,822
Transfer from investment in real estate to accounts receivable		9,153	-
Non cash settlement of accounts receivable to property plant and equipment		3,621	-

The attached notes 1 to 34 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

a) Incorporation

Inovest B.S.C. (the "Company") is a public shareholding company incorporated in the Kingdom of Bahrain on 18 June 2002 and operates under Commercial Registration (CR) number 48848. The Company commenced operations on 1 October 2002. Under the terms of its Memorandum and Articles of Association, the duration of the Company is 50 years, renewable for further similar periods unless terminated earlier by law or as stated in the Memorandum and Articles of Association. The address of the Company's registered office is 19th floor, East Tower, Bahrain Financial Harbour, Manama, Kingdom of Bahrain.

The Company is listed on the Bahrain Bourse and cross-listed on the Kuwait Stock Exchange.

The Company operates under an Investment Business Firm License – Category 1 (Islamic Principles) issued by the Central Bank of Bahrain ("CBB"), to operate under the Islamic Shari'a principles, and is supervised and regulated by the CBB.

b) Activities

The principal activities of the Company together with its subsidiaries (the "Group") include:

- Engaging directly in all types of investments, including direct investment and securities, and various types of investment funds;
- Establishing and managing various investment funds;
- Dealing in financial instruments in the local, regional and international markets;
- Providing information and studies related to different types of investments for others;
- Providing financial services and investment consultations to others;
- Establishing joint ventures with real estate, industrial and services companies inside or outside the Kingdom of Bahrain;
- Engaging in contracting activities;
- Engaging in the management of commercial and industrial centers and residential buildings, property leasing, development and their maintenance; and
- Having interest in or participating in any way with companies and other entities engaged in similar activities that may work and co-operate to achieve the Group's objectives inside and outside the Kingdom of Bahrain, and also merge its activities with the above mentioned entities and/or buy or join with them.

Although the Company has an Investment Business Firm License – Category 1 (Islamic Principles) issued by the CBB in September 2008, it continues to hold real estate assets and related revenues and costs in its consolidated financial statements. These assets existed prior to obtaining the license from the CBB. The Company has transferred its entire real estate assets and the related revenues and costs to its fully owned subsidiary, Al Khaleej Development Co. B.S.C.(c), which primarily carries out real estate and construction related activities. Since Al Khaleej Development Co. B.S.C.(c) is fully owned by the Company, the real estate assets and revenues and costs continue to appear in the consolidated financial statements of the Group for the year ended 31 December 2016. Notes 11, 14, 18 and 19 in these consolidated financial statements reflect the Group's transactions arising from holding of real estate assets and their corresponding liabilities and revenues and costs arising therefrom.

The number of staff employed by the Group as at 31 December 2016 was 1,076 employee (31 December 2015: 1,178 employee).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 12 February 2017.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the CBB, Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6), CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the terms of the Company's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

The Group also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the purpose of filing with Kuwait Stock Exchange and Capital Market Authorities of Kuwait.

2.2 Accounting convention

The consolidated financial statements have been prepared on a historical cost basis, except for investment in a joint venture and associates which are equity accounted, equity-type instruments at fair value through equity and investment in real estate that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ("US Dollars") being the reporting currency of the Group. All values are rounded to the nearest US Dollar thousands unless otherwise indicated. However the functional currency of the Group is Bahraini Dinars (BD).

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses are eliminated in full on consolidation.

Subsidiary is fully consolidated from the date control is transferred to the Company and continue to be consolidated until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in a subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Sale of participations to non-controlling interests result in a gain or loss that is recognised in the consolidated statement of income. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

The following are the principal subsidiaries of the Company, which are consolidated in these consolidated financial statements:

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

Name of the subsidiary	*Ownership 2016*	*Ownership 2015*	*Country of incorporation*	*Year of incorporation*	*Activity*
Held directly by the Company					
Al Khaleej Development Co. B.S.C. (c)*	99.98%	99.98%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties
Tameer for Private Management W.L.L.*	99.00%	99.00%	Kingdom of Bahrain	2004	Holds the Group's shares on behalf of its employees in respect of the employees' share option plan

The following are the subsidiaries held indirectly through Al Khaleej Development Co. B.S.C. (c):

Held indirectly by the Company					
Bahrain Investment Wharf B.S.C. (c) *	99.00%	99.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial centers, residential buildings and property
Circo Total Facility Management Co. W.L.L. *	99.00%	99.00%	Kingdom of Bahrain	2005	Management and maintenance of properties
Tamcon Contracting Co. B.S.C. (c) *	99.00%	99.00%	Kingdom of Bahrain	2007	Contracting activities
Dannat Resort Development Company Limited (note 5)	67.57%	58.29%	Cayman Islands	2008	Managing and Development of Real Estate Projects
Tamcon Trading S.P.C.	100.00%	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its
Eresco Tamcon JV B.S.C. (c)**	100.00%	100.00%	Kingdom of Bahrain	2014	Construction and maintenance of villas.
Panora Interiors S.P.C.	100.00%	100.00%	Kingdom of Bahrain	2015	Carpentry and joinery works.

* The consolidated financial statements of the subsidiaries have been consolidated as though the Company owns 100% of these subsidiaries, as the other shareholders hold their shares on behalf of and for the beneficial interest of the Company.

**** ERESCO Tamcon JV B.S.C (c)**

In 2014 Tamcon Contracting Co. B.S.C. (c) ("Tamcon") entered into a joint venture agreement with Enma Real Estate Company ("ERESCO") incorporating a new company namely ERESCO Tamcon JV B.S.C (c). As per the terms of the arrangement the paid-up share capital of the joint venture is BD 250,000 consisting of 250,000 shares of BD 1 each , out of which 125,000 shares i.e. 50% are held by ERESCO and 125,000 shares are held by Tamcon i.e. 50% as per the registration details. However, the entire share capital was paid by Tamcon. Further, the joint venture partners subsequently amended the terms of the arrangement via an agreement and the key responsibilities assigned to Tamcon are as follows:

1 Providing financing to the Project including providing guarantees and required insurance as deemed appropriate;

2 Providing technical and administrative management for the Project;

3 Liable for payment of salaries and benefits including compensating them for anything relating to their rights;

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

4 Sub-contracting and coordinating with sub-contractors, including monitoring and taking corrective actions with respect to their progress relating to sub-contracted activities.

5 Completing all activities related to the Project with all relevant Government authorities and private sector.

6 Liable to pay for insurance, taxes and fines imposed by any party relating to the project.

7 Provide all required guarantees for the Project

8 Performance of all activities and is responsible for all the obligations relating to the Project from all aspects including facilitating and elimination of any issues through out the Project and provide anything necessary from the date of contracting until the date of completion and hand over, without any problems to the owners of the Project.

9 ERESCO has the right to end the agreement at its own will and discretion solely without any condition / restriction / legal requirements and without the need to obtain any legal approval.

10 Obligated to provide the agreement to any parties financing the Project.

11 Agrees to pay 1.5% of the contract value to ERESCO and the payment is to be made upon receipt of any installment relating to the Project. Further, the percentage will also be applied to any increase in the contract value which is in compensation for ERESCO's expertise and contributions through their representatives.

12 Relieves ERESCO from any obligations related to the Project and ERESCO does not guarantee neither support any obligation with respect to the Project contract.

Subsequently an agreement was also signed on 11 November 2015 between Tamcon Contracting and ERESCO, which states that the later will not have any right in the share of assets and profits of ERESCO Tamcon JV B.S.C. (c).

Considering the key terms of the above arrangement and despite the legal form, ERESCO Tamcon JV B.S.C. (c) is deemed to be fully controlled by Tamcon and is therefore consolidated as a 100% owned subsidiary.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year as none of the 2015 changes in AAOIFI financial accounting standards (FAS) had any impact on the financial statements of the Group.

a. Cash and cash equivalents
Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash in hand, bank balances and short term deposits with an original maturity of three months or less.

b. Accounts receivable
Trade receivables are carried at their anticipated values. An estimate is made for impaired trade receivables based on a review of all outstanding amounts at the year end.

c. Investment in real estate lease right receivables
Investment in real estate lease right receivables are carried at amortised cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Investments

Investments comprise equity-type instruments at fair value through equity, investment in real estate, properties under development and investment in a joint venture and associates.

Equity-type instruments at fair value through equity

This includes all equity-type instruments that are not fair valued through consolidated statement of income. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised in owners' equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognised in consolidated statement of income.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment in real estate are re-measured at fair value and changes in fair value (only gains) are recognised through the consolidated statement of owners' equity.

Losses arising from changes in the fair values of investment in real estate are recognised in the consolidated statement of income. When the property is disposed of, the gains or losses arising on disposal is taken to the consolidated statement of income.

Properties under development

Properties under development represent properties held for sale in the ordinary course of business or in the process of construction and development for its future sale. Properties under development include expenditure incurred in the normal course of developing and constructing the property and are stated at lower of cost or fair value less cost to sell.

Properties under development are derecognised when they have either been disposed off, or when the property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of a property under development are recognised in the consolidated statement of income in the year of derecognition.

Investment in associates and joint ventures

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, investment in associates and a joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associates and joint venture. The consolidated statement of income reflects the Group's share of the results of operations of the associates and joint venture. Where there has been a change recognised directly in the equity of the associates and joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Unrealised gains and losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.

The reporting dates of associates and joint venture and the Group are identical and the associates' and joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Investments (continued)

Investment in associates and joint ventures (continued)
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in associates and joint venture. The Group determines at each reporting date whether there is any objective evidence that investment in associates or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of associates and joint venture and its carrying value and recognises the impairment in the consolidated statement of income.

e. Fair values
Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

f. Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation on premises and equipment is provided on a straight-line basis over the following estimated useful lives:

Building on leasehold land	25 years
Machinery, equipment, furniture and fixtures	3-5 years
Computer hardware and software	3 years
Motor vehicles	3 years

g. Accounts payable
Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

h. Financing from a bank
Financing from a bank is recognised initially at the proceeds received, net of transaction cost incurred. Subsequently, these are carried at amortised cost.

i. Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from the equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in the equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

k. Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and reliably measurable. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

l. Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment for financial assets.

m. Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

n. Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Income from properties
Rental income arising from operating leases on investment in real estate is accounted for on a straight-line basis over the lease terms and is included under revenue in the consolidated statement of income due to its operating nature.

(ii) Fee from management and other services
Fee from management and other services and project management fees are recognised based on the stage of completion of the service at the consolidated statement of financial position date by reference to the contractual terms agreed between the parties.

(iii) Income from investments
Income from investments is recognised when earned.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenue recognition (continued)

(iv) Income from construction contracts
Contract income is recognised under the percentage of completion method.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of physical completion of the contract. Contract income and costs are recognised as income and expenses in the consolidated statement of income in the accounting year in which the work is performed. The contract income is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of income, expenses and profit which can be attributed to the proportion of work completed. Profits expected to be realised on construction contracts are based on estimates of total income and cost at completion.

When the outcome of a construction contract cannot be estimated reliably, the contract income is recognised to the extent of contract costs incurred up to the year end where it is probable those costs will be recoverable. Contract costs are recognised when incurred. The excess of progress billings over contract costs is classified under trade and other payables as due to customers for construction contracts.

Losses on contracts are assessed on an individual contract basis and if estimates of cost to complete the construction contracts indicate losses, provision is made for the full losses anticipated in the period in which they are first identified.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or loss exceeds the progress billings, the balance is shown under trade and other receivables as due from customers for construction contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or loss, the balance is shown under trade and other payables as due to customers for construction contracts.

o. Shari'a supervisory board
The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of three members appointed by the general assembly.

p. 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 various social welfare activities.

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

Monetary assets and liabilities in foreign currencies are translated into United States Dollars at functional currency rates of exchange prevailing at the statement of financial position date. Any gains or losses are recognised in the consolidated statement of income.

r. Employees' end of service benefits
Bahraini employees are covered by the Social Insurance Organisation scheme which comprises a defined contribution scheme to which the Group contributes a monthly sum based on a fixed percentage of the salary. The contribution is recognised as an expense in the consolidated statement of income.

The Group provides end of service benefits to its non-Bahraini employees. Entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits which comprise a defined benefit scheme are accrued over the period of employment based on the notional amount payable if all employees had left at the statement of financial position date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In the case of equity-type instruments at fair value through equity, impairment is reflected directly as write down of the financial asset. Impairment losses on equity-type instruments at fair value through equity are not reversed through the consolidated statement of income, while any subsequent increase in their fair value are recognised directly in owners' equity.

t. Events after the statement of financial position date

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed as of the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment to the consolidated financial statements.

u. Zakah

Individual shareholders are responsible for payment of Zakah.

v. Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

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

Classification of investments

Management decides on acquisition of an investment, whether it should be classified as equity-type instrument at fair value through the consolidated statement of income, equity-type instruments at fair value through equity or debt-type instrument at amortised cost.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

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

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Fair valuation of investments

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of consolidated financial statements.

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

Special purpose entities

The Group sponsors the formation of special purpose entities ("SPE") primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPEs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgments are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the value to it of anticipated future cash flows, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value.

Liquidity

The Group manages its liquidity through consideration of the maturity profile of its assets and liabilities which is set out in the liquidity risk disclosures in note 32 to the consolidated financial statements. This requires judgement when determining the maturity of assets and liabilities with no specific maturities.

5 ACQUISITION OF A SUBSIDIARY

Acquisition of Dannat Resort Development Company Limited

During July 2015, the Group increased its equity stake in one of its associates (Dannat Resort Development Company Limited) from 49.66 % to 58.29% by investing US$ 4.80 million. Therefore, resulting in de-recognition of its investment in associate and acquisition of investment in a subsidiary (Dannat Resort Development Company Limited) giving the Group controlling stake as per the new shareholding.

The Group has elected to measure the non-controlling interest in the acquiree at their proportionate share of the acquiree's identifiable net assets.

Identifiable net assets

The fair value of the identifiable assets and liabilities of Dannat Resort Development Company Limited as at the date of acquisition were:

	Audited 31 December 2015 Fair value recognised on acquisition US$ '000
Assets	
Investment in a joint venture	55,509
Accounts receivables	432
Cash and cash equivalents	47
	55,988
Liability	
Accounts payables	(363)
Total identifiable net assets at fair value	55,625
Non-controlling interest measured at share of net assets (41.71%)	(23,204)
Goodwill arising on acquisition	-
Purchase consideration	32,421
Total consideration comprised of :	
Investment in associate derecognised	27,623
Receivables derecognised	556
Contribution of investment in real estate	4,242
	32,421

During the year 2016, the Group purchased further 9.29% equity stake in Dannat Resort Development Company Limited by investing US$ 3.88 million thus increasing its total stake in subsidiary to 67.57%.

6 CASH AND BANK BALANCES

	2016 US$ '000	*2015 US$ '000*
Short-term deposits (with an original maturity of 90 days or less)	21,049	2,122
Current account balances with banks (note 6.1)	11,526	29,440
Cash in hand	42	47
Total cash and cash equivalents	32,617	31,609
Short-term deposits (with an original maturity of more than 90 days)	7,449	8,821
Total cash and bank balances	40,066	40,430

6 CASH AND BANK BALANCES (continued)

Note 6.1
Current account balances with banks include US$ 7.96 million (31 December 2015: US$ 17.4 million) balance with a bank relating to one of the subsidiary of the Group, which has received an advance from a client to start work on construction contract. The current account balances with banks are non-profit bearing.

7 ACCOUNTS RECEIVABLE

	2016 *US$ '000*	*2015* *US$ '000*
Trade receivables	**30,061**	21,738
Amounts due from related parties (note 28)	**20,484**	31,917
Other receivables	**11,536**	12,826
Rent receivable	**521**	392
	62,602	66,873
Less: provision for impaired receivables	**(24,365)**	(27,023)
	38,237	39,850

Amounts due from related parties are unsecured, bear no profit and have no fixed repayment terms.

The movement in the Group's provision for impaired receivables is as follows:

	2016 *US$ '000*	*2015* *US$ '000*
At 1 January	**27,023**	9,197
Charge during the year	**13**	21,663
Write back during the year	**(2,653)**	(3,837)
Write off during the year	**(18)**	-
At 31 December	**24,365**	27,023

8 INVESTMENT IN REAL ESTATE LEASE RIGHT RECEIVABLES

During the year, one of the Group's entity entered into long-term lease agreement to lease two of its industrial plots to third parties. The total rental amount of the two plots over the lease term has been considered as sale receivable, discounted at the prevailing market rates and classified as "Investment in real estate lease right receivables".

9 INVESTMENTS

	2016 *US$ '000*	*2015* *US$ '000*
Equity-type instruments at fair value through equity - Unquoted		
Real estate related	**23,769**	23,539
Others	**6,892**	6,892
	30,661	30,431
Less: Provision for impairment	**(11,678)**	(11,678)
At 31 December	**18,983**	18,753

Equity-type investments at fair value through equity include investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for accruing at a reliable fair value.

9 INVESTMENTS (continued)

None of the investments are secured as collateral against the financing facilities obtained (31 December 2015: US$ 5.31 million).

The movement in provision for impairment on investments is as follows:

	2016 US$ '000	2015 US$ '000
At 1 January	11,678	7,376
Charge during the year (note 25)	-	4,302
At 31 December	11,678	11,678

10 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

	2016 US$ '000	2015 US$ '000
At 1 January	91,692	94,531
Investment in a joint venture from acquistion of a subsidiary	-	55,509
Acquisitions during the year	238	326
Investments in associate derecognised	-	(27,623)
Transfer to non-current asset held for sale (note 27)	-	(6,822)
Disposals during the year	-	(6,347)
Net share of loss	(301)	(3,760)
Dividends received during the year	-	(636)
Provision for impairment (note 25)	-	(13,486)
At 31 December	91,629	91,692

The movement in provision for impairment on investment in joint ventures and associates is as follows:

	2016 US$ '000	2015 US$ '000
At 1 January	(13,486)	-
Charge during the year	-	(13,486)
At 31 December	(13,486)	(13,486)

The Group has an investment in the following joint venture:

Name	*Principal activities*	*Ownership* 2016	2015
First Gulf Real Estate Company WLL *(Investment acquired as a result of consolidation of Dannat Resort Development Company Ltd (note 5))*	Purchase of land and construct buildings thereon for investments through sale or lease, manage and maintain real estates	55.56%	55.56%

Name	*Country of incorporation*	*Carrying value* 2016 US$ '000	2015 US$ '000
First Gulf Real Estate Company WLL	*Kingdom of Saudi Arabia*	41,984	42,012

10 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

Summarised financial information of joint venture

Summarised financial information of the joint venture based on the management accounts, is presented below:

	2016	*2015*
	US$ '000	*US$ '000*
Total assets	76,136	76,136
Total liabilities	565	514
Total revenues	-	19,860
Total net (loss) / profit	(51)	18,957

The joint venture had no contingent liabilities or capital commitments as at 31 December 2016 and 2015.

The principal associates of the Group are:

Name of associate	*Principal activities*	*Ownership*	
		2016	*2015*
Durrat Marina Investment Company Ltd.	*Development and sale of commercial and residential properties*	25.78%	25.78%
BIW Labour Accommodation W.L.L.	*Development and maintenance of labour camps*	27.08%	27.08%
Takhzeen Warehousing and Storage Company B.S.C. (c)	*Management and maintenance of warehouses*	37.24%	35.52%

Name of associate	*Principal activities*	*Ownership*	
		2016	*2015*
Boyot Al Mohandseen Contracting Company	*Development of real estate in Dhahran, Kingdom of Saudi Arabia*	23.17%	23.17%

Name of associate	*Country of incorporation*	*Carrying Value*	
		2016	*2015*
		US$ '000	*US$ '000*
Durrat Marina Investment Company Ltd.	Cayman Islands	32,672	33,414
BIW Labour Accommodation W.L.L.	Kingdom of Bahrain	8,283	8,001
Takhzeen Warehousing and Storage Company B.S.C. (c)	Kingdom of Bahrain	5,048	4,625
Boyot Al Mohandseen Contracting Company	Kingdom of Saudi Arabia	3,642	3,640
		49,645	49,680

10 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

Summarised financial information of associates, based on the management accounts, are presented below:

	2016 US$ '000	2015 US$ '000
Summarised financial information of associates		
Total assets	204,739	218,763
Total liabilities	17,699	30,354
Total revenues	814	(12,374)
Total net loss	(1,319)	(14,723)

The associates had no contingent liabilities or capital commitments as at 31 December 2016 and 2015.

11 INVESTMENTS IN REAL ESTATE

	2016 US$ '000	2015 US$ '000
At 1 January	54,817	65,773
Transferred from properties under development	-	5,585
Purchases during the year	3,154	418
Unrealised fair value loss on investment in real estate	-	(3,160)
Gain on sale of investment in real estate	1,403	-
Disposals during the year	(17,810)	(13,799)
At 31 December	41,564	54,817

Investments in real estate are stated at fair value which has been determined based on valuations performed by accredited independent property valuers. The valuations undertaken were based on open market values, which represent the prices at which the properties could be exchanged between knowledgeable willing buyers and knowledgeable willing sellers in an arm's length transaction.

Investments in real estate based on valuations performed by external property valuers amounted to US$ 45.48 million (31 December 2015: US$ 63.98). However, due to illiquid nature of the real estate market and slowdown within the economic environment, the management believes the current carrying value of investments in real estate amounting to US$ 41.56 million (31 December 2015: US$ 54.82) approximates its fair value.

Investments in real estate stated at a carrying amount of US$ 25.18 million (31 December 2015: US$ 31.65 million) are secured as collateral against the financing facilities obtained (note 15).

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land US$ '000	Machinery, equipment furniture and fixtures US$ '000	Computer hardware and software US$ '000	Motor vehicles US$ '000	Capital work-in-progress US$ '000	Total US$ '000
Cost						
At 1 January 2016	4,284	8,063	1,400	1,708	4,136	19,591
Additions	3,621	1,609	58	637	41	5,966
Disposals	-	(15)	-	(110)	-	(125)
At 31 December 2016	7,905	9,657	1,458	2,235	4,177	25,432
Accumulated depreciation						
At 1 January 2016	900	4,551	1,158	1,124	-	7,733
Charge	212	1,147	109	266	-	1,734
Disposals	-	(15)	-	(110)	-	(125)
At 31 December 2016	1,112	5,683	1,267	1,280	-	9,342
Net book amount:						
At 31 December 2016	6,793	3,974	191	955	4,177	16,090
At 31 December 2015	3,384	3,512	242	584	4,136	11,858

Depreciation on property, plant and equipment charged to the consolidated statement of income is as follows:

	2016 US$ '000	2015 US$ '000
Depreciation charged to contract costs (note 18)	1,422	677
Depreciation charged to expenses	312	270
	1,734	947

13 OTHER ASSETS

	2016 US$ '000	2015 US$ '000
Advances to contractors	6,249	11,568
Prepayments	791	498
	7,040	12,066

14 ACCOUNTS PAYABLE

	2016 US$ '000	2015 US$ '000
Lease rent payables (note 14.1)	50,105	50,105
Advance from a client for construction contract	23,456	35,824
Accruals and other payables	15,501	17,807
Case compensation and other contingencies (note 14.2)	8,739	8,739
Trade payables	7,308	5,576
Retentions payable	3,068	1,469
Amounts due to related parties (note 14.3)	146	980
	108,323	120,500

14 ACCOUNTS PAYABLE (continued)

Note 14.1
The Group entered into a long term lease contract with the Ministry of Industry and Commerce ("MOIC") in December 2005, effective from May 2006, for a period of 50 years.

In accordance with the terms of the agreement with the MOIC, from the date of signing the agreement, no lease rent is payable for the first two years of the lease period, from 2006 to 2007. Lease rent payable, for the lease period (from 2008-2025), was defferred due to the cost incurred by the Group on the reclamation of the leasehold land. Thereafter, the Group is required to pay lease rental over thirty years (from 2026 to 2056).

Note 14.2
During 2015, a case was filed by one of the investor against one of the project company and the Company with respect to its investment within the project company. On 10 June 2015, the Bahrain Chamber for Dispute Resolution (BCDR) issued its judgment, compelling the project company and the Company to pay an amount of US$ 701 thousand including interest of 4% p.a. of US$ 26 thousand from the date of the claim until full settlement plus US$ 8 thousand lawyer fees and other suitable expenses.

The company has a history of legal claims filed against it. Due to such claims history the management has made an assessment of potential future claims against the company and accordingly made an additional provision of US$ 8,030 thousand for such future contingencies.

Note 14.3
Amounts due to related parties are unsecured, bear no profit, have no fixed repayment terms and are authorised by the Group's management.

15 FINANCING FROM A BANK

	2016 US$ '000	*2015 US$ '000*
Commodity murabaha financing	**16,408**	23,865

The Group has obtained the financing from banks to fund the acquisition of investments, purchase of properties and to meet working capital requirements. The outstanding liability bears market rate of profit and are repayable in accordance with the repayment terms agreed with the respective bank.

16 SHARE CAPITAL

	2016 US$ '000	*2015 US$ '000*
Authorised		
375,000,000 (31 December 2015: 375,000,000) ordinary shares of US$0.40 each	**150,000**	150,000
Issued and fully paid-up		
Opening balance		
286,511,225 (31 December 2015: 286,511,225) ordinary shares of US$0.40 each	**114,604**	114,604
Treasury shares		
Less: 1,627,825 (31 December 2015: 1,627,825) treasury shares of US$0.40 each	**(651)**	(651)
Closing balance		
284,883,400 (31 December 2015: 284,883,400) ordinary shares of US$ 0.40 each	**113,953**	113,953

Treasury shares represent shares issued to Tameer for Private Management W.L.L., a subsidiary of the Company, for the employees' share option plan.

16 SHARE CAPITAL (continued)

Additional information on shareholding pattern

Names and nationalities of the major shareholders and the number of shares they hold, without considering the treasury shares, are disclosed below (where their shareholding amounts to more than 5% or more of outstanding shares):

At 31 December 2016

Name	*Incorporation*	*Number of shares*	*% holding*
Gulf Investment House	Kuwait	38,981,591	13.61%
Asaad Abdulaziz Abdulla Alsanad	Kuwait	20,969,996	7.32%
Dubai Islamic Bank	United Arab Emirates	19,748,883	6.89%
Romac Real Estate Co.	Kuwait	14,370,000	5.01%
Others	Various	192,440,755	67.17%
		286,511,225	100%

At 31 December 2015

Name	*Incorporation*	*Number of shares*	*% holding*
KFH Capital Investment Company	Kuwait	27,025,491	9.43%
Dubai Islamic Bank	United Arab Emirates	19,748,883	6.89%
Baitk Investment Company	Kuwait	18,523,925	6.47%
Others	Various	221,212,926	77.21%
		286,511,225	100%

The Company has only one class of equity shares and the holders of these shares have equal voting rights. Further, all the shares issued are fully paid.

Distribution schedule of shares, setting out the number and percentage of holders is disclosed below:

At 31 December 2016

Categories:	*No. of shares*	*No. of shareholders*	*% of total outstanding shares*
Less than 1%	76,879,397	680	26.83%
1% up to less than 5%	115,561,358	19	40.33%
5% up to less than 10%	55,088,879	3	19.23%
10% up to less than 50%	38,981,591	1	13.61%
	286,511,225	703	100%

At 31 December 2015

Categories:	*No. of shares*	*No. of shareholders*	*% of total outstanding shares*
Less than 1%	94,361,741	736	32.93%
1% up to less than 5%	126,851,185	19	44.27%
5% up to less than 10%	65,298,299	3	22.79%
	286,511,225	758	100%

At 31 December 2016, the Board of Directors collectively hold 0.41% of the shares of the total issued and fully paid-up share capital of the Company (31 December 2015: 0.46%).

16 SHARE CAPITAL (continued)

Additional information on shareholding pattern (continued)
Details of shares owned by the directors of the Group are as follows:

	Number of shares
31 December 2016	
Fareed Soud Al-Fozan	**962,650**
Yousif Al Rasheed Al Bader	**103,500**
Bader Khalifa Al Adsani	**100,000**
	1,166,150

	Number of shares
31 December 2015	
Fareed Soud Al-Fozan	962,650
Yousif Al Rasheed Al Bader	103,500
Bader Khalifa Al Adsani	100,000
Bashar Naser Al-Tuwaijri	78,050
Mohammed Ebraheem Alnughaimish	78,050
	1,322,250

17 SHARE PREMIUM AND RESERVES

a. Statutory reserve
In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the net profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of paid up share capital. The reserve is not available for distribution, except in circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain. Transfer to the statutory reserve of US$ 1,011 thousand has been made for the year ended 31 December 2016, however no transfer was made to the statutory reserve for the year ended 31 December 2015, as the Group reported net loss.

b. Share option reserve
This represents the difference between the grant price and fair value of the Company's share options issued to the Group's employees in accordance with the Employee Share Option Plan ("ESOP") Scheme.

c. Treasury shares
This represents weighted average cost of own shares held in treasury and under the employee incentive scheme.

d. Share premium
Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

18 NET INCOME FROM CONSTRUCTION CONTRACTS

	2016 US$ '000	*2015 US$ '000*
Contract income	**79,185**	43,577
Contract costs	**(71,534)**	(38,760)
	7,651	4,817

The contract costs include depreciation amounting to US$ 1,422 thousand (31 December 2015: US$ 677 thousand) (note 12).

19 INCOME / (LOSS) FROM INVESTMENT IN REAL ESTATE

	2016 US$ '000	2015 US$ '000
Rental income	1,566	625
Realised gains on sale of investment in real estate	1,403	374
Reversal of unearned income	531	-
Unrealised fair value losses on investment in real estate	-	(3,160)
	3,500	(2,161)

20 INCOME FROM INVESTMENTS

	2016 US$ '000	2015 US$ '000
Realised gain on sale of non-current asset held for sale	871	-
Dividend income	613	709
Gain on acquisition of investment in associate	10	-
Realised (loss) / gain on sale of an investment	(3)	72
	1,491	781

21 FEE FOR MANAGEMENT AND OTHER SERVICES

	2016 US$ '000	2015 US$ '000
Property and facility management income	1,695	743
Financial advisory service charges	143	218
	1,838	961

22 OTHER INCOME

	2016 US$ '000	2015 US$ '000
Electricity and water services	844	885
Profit on short-term deposits	450	90
Reversal of accrued expense for case compensation	142	-
Others	355	186
	1,791	1,161

23 STAFF COSTS

	2016 US$ '000	2015 US$ '000
Salaries and benefits	3,747	3,859
Other staff expenses	955	1,055
	4,702	4,914

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 *US$ '000*	*2015* *US$ '000*
Rent, rates and taxes	620	812
Legal and professional consultancy	611	587
Board member expenses	389	102
Advertising and marketing	141	213
Other expenses	871	1,188
	2,632	2,902

25 RECOVERIES / (PROVISION) - NET

	2016 *US$ '000*	*2015* *US$ '000*
Recoveries / (provision) for impaired receivables - net (note 7)	2,640	(17,826)
Provision for impaired investments - net (note 9)	-	(4,302)
Provision for impaired investment in a joint venture - net (note 10)	-	(13,486)
Provision for case compensation and other contengencies (note 14.2)	-	(8,739)
	2,640	(44,353)

During 2016, the Group collected US$ 2,653 thousand representing partial settlement against outstanding account receivables due from one of its related parties and, hence, the respective provision amount has been reversed.

26 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share amounts are calculated by dividing net income / (loss) for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2016 *US$ '000*	*2015* *US$ '000*
Income / (loss) attributable to the equity shareholders of the parent for the year	10,105	(48,092)
Weighted average number of shares outstanding at the beginning and end of the year	284,883	284,883
Earnings / (loss) per share - US$ cents	3.55	(16.88)

The Company does not have any potentially dilutive ordinary shares, hence the diluted loss per share and basic loss per share are identical.

27 NON-CURRENT ASSET HELD FOR SALE

On 23 November 2015, based on the approval of the Board of Directors, the Group decided to sell one of its joint ventures to a prospective buyer. Accordingly the joint venture (Tala Property Development W.L.L.) was classified as a non-current asset held for sale at the end of 31 December 2015. The sale was completed in the first quarter of 2016, by means of sale of Group's quity stake to the joint venturer within the investment.

The investment in join venture was initially equity accounted till the date of classification as non-current asset held for sale. The major classes of assets and liabilities of the joint venture classified as non-current asset held for sale as at 31 December 2015 were as follows:

	2015 *US$ '000*
Cash and cash equivalents	1,286
Prepayment	462
Other assets	3,227
Current assets	4,975
Non-current assets	12,406
Current liabilities	(3,707)
Non-current liabilities	(2,247)
Equity	11,427
Proportion of the Group's Ownership	60.00%
Group's share of net assets	6,856
Other adjustments	(34)
Carrying amount of investments	6,822

There is no cumulative income or expenses in other comprehensive income relating to assets held for sale. The fair value of the joint venture as of 31 December 2015 amounted to US$ 7,692 thousand based on the sale price agreed with the joint venturer.

28 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, key management personnel, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group and Shari'a Supervisory Board members and external auditors.

Terms and conditions of transactions with related parties
The Group enters into transactions, arrangements and agreements with its related parties in the ordinary course of business at terms and conditions approved by the Board of Directors. The transactions and balances arose from the ordinary course of business of the Group. Outstanding balances at the year end are unsecured.

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The related party balances included in the consolidated financial statements are as follows:

	31 December 2016				31 December 2015			
	Associates and joint venture US$ '000	*Key management personnel/ Board members/ external auditors US$ '000*	*Other related parties US$ '000*	*Total US$ '000*	*Associates and joint venture US$ '000*	*Key management personnel/ Board members/ external auditors US$ '000*	*Other related parties US$ '000*	*Total US$ '000*
Accounts receivable - gross	16,250	-	4,234	20,484	27,872	-	4,045	31,917
Provision	(14,917)	-	(2,225)	(17,142)	(17,570)	-	(2,215)	(19,785)
Accounts receivable - net	1,333	-	2,009	3,342	10,302	-	1,830	12,132
Accounts payable	114	32	-	146	885	95	-	980

The related party transactions included in the consolidated financial statements are as follows:

	31 December 2016				31 December 2015			
	Associates and joint venture US$ '000	*Key management personnel/ Board members/ external auditors US$ '000*	*Other related parties US$ '000*	*Total US$ '000*	*Associates and joint venture US$ '000*	*Key management personnel/ Board members/ external auditors US$ '000*	*Other related parties US$ '000*	*Total US$ '000*
Income								
Fee for management and other services	95	-	210	305	524	-	207	731
Net loss from construction contracts	-	-	(509)	(509)	-	-	(43)	(43)
Net share of loss from investment in a joint venture and associates	(301)	-	-	(301)	(3,390)	-	(370)	(3,760)
Other income	-	-	-	-	108	-	-	108
	(206)	-	(299)	(505)	(2,758)	-	(206)	(2,964)
Expenses								
Staff costs	-	(1,425)	-	(1,425)	-	(1,856)	-	(1,856)
General and administrative expenses	(6)	(674)	(48)	(728)	(33)	(35)	(95)	(163)
Recoveries / (provision) for impaired receivables (note 7)	2,652	-	(12)	2,640	(11,258)	-	-	(11,258)
	2,646	(2,099)	(60)	487	(11,291)	(1,891)	(95)	(13,277)

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2016 US$ '000	*2015* US$ '000
Salaries and other benefits	1,425	1,856

29 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. For management purposes, the Group is organised into four major business segments.

The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in note 3 to the consolidated financial statements. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment information is disclosed as follows:

	31 December 2016					
	Investment and related services US$ '000	*Construction Contracts* US$ '000	*Development and sale of industrial plots* US$ '000	*Property and facility management services* US$ '000	*Eliminations* US$ '000	*Total* US$ '000
Net revenues from external customers	2,119	7,651	2,943	276	-	12,989
Income from investments	1,491	-	-	-	-	1,491
Net share of (loss) / profit from investment in a joint venture and associates (note 10)	(518)	-	217	-	-	(301)
Other income	566	111	1,096	18	-	1,791
Total revenue	3,658	7,762	4,256	294	-	15,970
Segment (loss) / profit	(1,919)	5,467	6,422	115	-	10,085
Segment assets	246,248	71,286	60,973	1,466	(117,118)	262,855
Segment liabilities	49,498	40,774	55,193	34	(20,768)	124,731

29 SEGMENTAL INFORMATION (continued)

	31 December 2015					
	Investment and related services US$ '000	*Construction Contracts US$ '000*	*Development and sale of industrial plots US$ '000*	*Property and facility management services US$ '000*	*Eliminations US$ '000*	*Total US$ '000*
Net revenues from external customers	(2,536)	4,817	844	492	-	3,617
Inter-segment transactions	-	21	(378)	38	319	-
Income from investments	781	-	-	-	-	781
Net share of loss from investment in a joint venture and associates (note 10)	(567)	-	(3,193)	-	-	(3,760)
Other income	153	71	935	2	-	1,161
Total revenue	(2,169)	4,909	(1,792)	532	319	1,799
Segment (loss) / profit	(47,701)	2,770	(9,198)	44	357	(53,728)
Segment assets	216,913	74,953	56,819	1,642	(74,039)	276,288
Segment liabilities	48,784	49,909	57,462	325	(12,115)	144,365

30 CONTINGENCIES AND COMMITMENTS

Credit-related commitments include commitments to extend guarantees and acceptances which are designed to meet the requirements of the Group's customers. Guarantees and acceptances commit the Group to make payments to third parties on behalf of customers in certain circumstances.

The Group has the following credit related commitments:

	***2016* US$ '000**	*2015 US$ '000*
Guarantees	**27,578**	27,678

The Group has the following operating lease commitments:

	***2016* US$ '000**	*2015 US$ '000*
Future minimum lease payments:		
Within one year	**482**	453
After one year but not more than five years	**933**	1,339
Total	**1,415**	1,792

31 FIDUCIARY ASSETS

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the consolidated statement of financial position. At 31 December 2016, the carrying value of such assets is US$ 189 million (31 December 2015: US$ 210 million).

32 RISK MANAGEMENT

Risk is defined as the combination of severity and frequency of potential loss over a given time horizon and is inherent in the Group's activities. Risk can be expressed in the dimensions of potential severity of loss (magnitude of impact) and potential loss frequency (likelihood of occurrence). Risk management is the process by which the Group identifies key risks, sets consistent understandable risk measures, chooses which risks to reduce, which to increase and by what means, and establishes procedures to monitor the resulting risk position. Risk management is the discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure that optimum value is created for the shareholders through an optimum return on equity by an appropriate trade-off between risk and return.

Effective risk management is the cornerstone of capital structure. The vision of risk management is to address all aspects of risk which the Group may be exposed to. The Group's risk function is independent of lines of business and the Head of Risk is appointed by the Board Risk Committee, who then report to the Board of Directors. The key role of the risk management function is defining, identifying and reducing risks, and being independent and objective.

The Group has exposure to risks, which include credit, market, liquidity, reputation, compliance and operational risks. Market risk includes currency, equity price and profit rate risk. Taking risk is core to the financial business. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

Risk governance
The Board of Directors of the Group has overall responsibility for the oversight of the risk management framework and reviewing its risk management policies and procedures. The risks both at portfolio and transactional levels are managed and controlled through the Board Risk Committee.

a) Credit risk
Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to maximize the Group's risk-adjusted rate of return by maintaining credit exposures within acceptable parameters. The Group has well-defined policies and procedures for identifying, measuring, monitoring and controlling credit risk in all the Group's activities.

i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The Group's maximum exposure to on-balance sheet credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure, is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract.

The table shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements, but after impairment provisions, where applicable.

32 RISK MANAGEMENT (continued)

a) Credit risk (continued)

i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

	Gross maximum exposure 2016 US$ '000	Gross maximum exposure 2015 US$ '000
Accounts receivable	38,237	39,850
Commitments and contingent liabilities	27,578	27,678
Total	65,815	67,528

ii) Aging of past due but not impaired facilities

The following table summarises the aging of past due but not impaired assets as of:

	31 December 2016				
	Up to 6 months	6-12 Months	1-3 Years	3 Years and above	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Accounts receivable	19,534	6,763	3,764	-	30,061

	31 December 2015				
	Up to 6 months	6-12 Months	1-3 Years	3 Years and above	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Accounts receivable	9,180	3,714	2,005	-	14,899

None of the Group's accounts receivable are secured against lease hold rights over the underlying land (31 December 2015: US$ 5.49 million).

Accounts receivables amounting to US$ 27.28 million (31 December 2015: US$ 32.44 million) have been classified as individually impaired.

32 RISK MANAGEMENT (continued)

a) Credit risk (continued)

iii) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

The Group's exposure analysed on geographic regions and industry sectors is as follows:

	31 December 2016			31 December 2015		
	Assets US$ '000	*Liabilities US$ '000*	*Contingent liabilities US$ '000*	*Assets US$ '000*	*Liabilities US$ '000*	*Contingent liabilities US$ '000*
Geographic region:						
Kingdom of Bahrain	201,648	124,731	27,578	218,931	144,365	27,678
Other GCC countries	61,207	-	-	57,357	-	-
	262,855	124,731	27,578	276,288	144,365	27,678

	31 December 2016			31 December 2015		
	Assets US$ '000	*Liabilities US$ '000*	*Contingent liabilities US$ '000*	*Assets US$ '000*	*Liabilities US$ '000*	*Contingent liabilities US$ '000*
Industry sector:						
Real estate	150,742	30,932	27,578	177,733	116,350	27,678
Non real estate	112,113	93,799	-	98,555	28,015	-
	262,855	124,731	27,578	276,288	144,365	27,678

b) Market risk

Market risk arises from fluctuations in profit rates, foreign exchange rates and equity prices. Market risk is the risk that changes in market risk factors, such as currency risk, profit rates and equity prices will effect the Group's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Profit rate risk

Profit risk is the risk that the Group's profitability or fair value of its financial instruments will be adversely affected by the changes in profit rates. The Group's assets and liabilities are not considered by management to be sensitive to profit rate risk.

ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views the Bahraini Dinars as its functional currency and United States Dollar as its reporting currency. As at 31 December 2016 and 2015, the Group had net foreign currency exposure in respect of Bahraini Dinars, Saudi Riyals, Kuwaiti Dinars and United Arab Emirates Dirhams. Except for Kuwaiti Dinars, the currencies are pegged to the United States Dollar and thus are considered not to represent significant currency risk. The Group's exposure to Kuwaiti Dinars is considered minimal.

32 RISK MANAGEMENT (continued)

b) Market risk (continued)

iii) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. As the Group has no quoted equity investments, the Group is not exposed to this risk. The Group has unquoted investments carried at cost less provision for impairment where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted, or when a third party transaction in the investment gives a reliable indication of fair value which will be reflected in owners' equity.

c) Liquidity risk

Liquidity risk is the potential inability of the Group to meet cash flows of its maturing obligations to a counterparty. Liquidity risk management seeks to ensure that the Group has the ability, under varying scenarios, to fund increases in assets and meet maturing obligations as they arise. Management of the Group is responsible for its liquidity management.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2016 based on expected periods to cash conversion from the consolidated statement of financial position date:

	Up to 1 Month US$ '000	*1 to 3 months* US$ '000	*3 to 6 months* US$ '000	*6 months to 1 year* US$ '000	*1 to 5 years* US$ '000	*5 to 10 years* US$ '000	*Over 10 years* US$ '000	*No fixed maturity* US$ '000	*Total* US$ '000
ASSETS									
Cash and bank balances	13,287	20,401	6,309	69	-	-	-	-	40,066
Accounts receivable	16,131	9,827	1,840	1,406	9,033	-	-	-	38,237
Investment in real estate lease right receivables	12	35	35	139	822	903	7,300	-	9,246
Investments	-	-	-	-	18,983	-	-	-	18,983
Investment in a joint venture and associates	-	-	-	-	91,629	-	-	-	91,629
Investments in real estate	-	-	-	-	41,564	-	-	-	41,564
Property, plant and equipment	-	-	-	-	-	-	-	16,090	16,090
Other assets	1,294	1,892	1,018	1,573	1,263	-	-	-	7,040
Total assets	30,724	32,155	9,202	3,187	163,294	903	7,300	16,090	262,855
LIABILITIES									
Accounts payable	10,415	4,922	5,248	9,353	28,280	-	50,105	-	108,323
Financing from a bank	-	868	875	1,809	12,856	-	-	-	16,408
Total liabilities	10,415	5,790	6,123	11,162	41,136	-	50,105	-	124,731
Net liquidity gap	20,309	26,365	3,079	(7,975)	122,158	903	(42,805)	16,090	138,124
Cumulative liquidity gap	20,309	46,674	49,753	41,778	163,936	164,839	122,034	138,124	
Contingencies and commitments	-	-	-	-	27,578	-	-	-	27,578

32 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2015 based on expected periods to cash conversion from the consolidated statement of financial position date:

	Up to 1 Month US$ '000	*1 to 3 months US$ '000*	*3 to 6 months US$ '000*	*6 months to 1 year US$ '000*	*1 to 5 years US$ '000*	*5 to 10 years US$ '000*	*Over 10 years US$ '000*	*No fixed maturity US$ '000*	*Total US$ '000*
ASSETS									
Cash and cash equivalents	29,488	8,223	2,653	66	-	-	-	-	40,430
Accounts receivable	11,570	4,185	3,249	4,681	12,709	3,456	-	-	39,850
Investments	-	-	-	-	18,753	-	-	-	18,753
Investment in joint ventures and associates	-	-	-	-	91,692	-	-	-	91,692
Investments in real estate	-	-	-	-	54,817	-	-	-	54,817
Property, plant and equipment	-	-	-	-	-	-	-	11,858	11,858
Other assets	1,468	2,878	2,417	2,378	2,925	-	-	-	12,066
Non-current asset held for sale	-	6,822	-	-	-	-	-	-	6,822
Total assets	42,526	22,108	8,319	7,125	180,896	3,456	-	11,858	276,288
LIABILITIES									
Accounts payable	5,316	5,744	2,929	12,759	43,647	-	50,105	-	120,500
Financing from a bank	-	9,974	2,933	7,830	3,128	-	-	-	23,865
Total liabilities	5,316	15,718	5,862	20,589	46,775	-	50,105	-	144,365
Net liquidity gap	37,210	6,390	2,457	(13,464)	134,121	3,456	(50,105)	11,858	131,923
Cumulative liquidity gap	37,210	43,600	46,057	32,593	166,714	170,170	120,065	131,923	
Contingencies and commitments	-	-	-	-	27,678	-	-	-	27,678

32 RISK MANAGEMENT (continued)

d) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

e) Other risks

Regulatory risk

Regulatory risk is defined as the risk of non-compliance with regulatory and legal requirements in the Kingdom of Bahrain and the State of Kuwait. The Group's Compliance Department is currently responsible for ensuring all regulations are adhered to.

Legal risk

Legal risk is defined as the risk of unexpected losses from transactions and contracts not being enforceable under applicable laws or from unsound documentation. The Group deals with several external law firms to support it in managing the legal risk.

Reputation risk

Reputation risk is defined as the risk that negative perception regarding the Group's business practices or internal controls, whether true or not, will cause a decline in the Group's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Group. The Board of Directors examines the issues that are considered to have reputation repercussions for the Group and issues directives to address these.

33 SOCIAL RESPONSIBILITY

The Group intends to discharge its social responsibilities through donations to charitable causes and organisations.

34 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect net income, total assets, total liabilities or owners' equity of the Group as previously reported.