Inovest B.S.C.

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

31 DECEMBER 2015

Inovest B.S.C.

Administration and contact details as at 31 December 2015

Commercial registration number	**48848 obtained on 18 June 2002**

Board of Directors

Khaled Saoud Al Sanousi	- Chairman
Fareed Soud Al-Fozan	- Vice-Chairman
Mohammed Ebraheem Alnughaimish	- Director
Bader Khalifa Al Adsani	- Director
Bashar Naser Al-Tuwaijri	- Director
Yousif Ali Al Rasheed Al Bader	- Director
Othman Al Quraishi	- Director

Board Secretary

Riyadh Mahmood Mulla

Sharia'a Supervisory Board

Sheikh Dr. Murad Bou Daia	- Chairman
Sheikh Dawoud Salman Bin Essa	- Vice-Chairman
Sheikh Dr. Khalid Shuja'a Al-Otaibi	- Member

Corporate Governance Committee members

Fareed Soud Al-Fozan	- Chairman
Khaled Saoud Al Sanousi	- Member
Yousif Ali Al Rasheed Al Bader	- Member
Mohammed Ebraheem Alnughaimish	- Member
Sheikh Dawoud Salman Bin Essa	- Member

Audit Committee members

Bader Khalifa Al Adsani	- Chairman
Bashar Naser Al-Tuwaijri	- Member
Othman Al Quraishi	- Member

Nomination and Remuneration Committee members

Khaled Saoud Al Sanousi	- Chairman
Fareed Soud Al-Fozan	- Member
Yousif Ali Al Rasheed Al Bader	- Member
Mohammed Ebraheem Alnughaimish	- Member

Risk Committee members

Othman Al Quraishi	- Chairman
Bader Khalifa Al Adsani	- Member
Bashar Naser Al-Tuwaijri	- Member

Administration and contact details as at 31 December 2015

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) Khaleeji Commercial Bank B.S.C. Al Baraka Islamic Bank B.S.C. (c) Al Salam Bank, Bahrain
Auditors	Ernst & Young (EY) P.O. Box 140 14th Floor, South Tower Bahrain World Trade Center Manama, Kingdom of Bahrain
Registrars	Fakhro 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

للاستشارات الشرعية المالية

Taiba Consultation

Sharia Supervisory Board Report on the Activities of Inovest BSC
For the Financial Year Ending on 31 December 2015

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace Upon the Last Apostle and Messenger, Our Prophet Mohammed, His Relatives and Companions.

The Shari'a Supervisory Board "The Board" of INOVEST B.S.C. has reviewed the Company activities and compared them with the issued Fatwas and Rulings during the Financial Year Ending on 31 December 2015 and found them compatible with them.

The Board believes that it has expressed its opinion in respect of the activities carried out by INOVEST and it is the responsibility of the management to ensure the implementation of such decisions.

A representative of the company's management explained and clarified the contents of the Financial Year Ending on 31 December 2015. The report of the Board has been prepared based on the information provided by the company.

The Board is satisfied that the activities and services carried by INOVEST are in compliance with the Glorious Islamic Sharia'a.

Praise be to Allah, Lord of the Worlds. Prayers be upon Prophet Mohammed Peace Be Upon Him, Relatives and Companions.

Shaikh Dr. Khalid Shuja'a Al-Otaibi
Chairman

Shaikh Dr. Murad Bou Daia
Vice Chairman

Shaikh Dawoud Salaman Bin Essa
Member

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Chairman's Statement
For the year ended, 31st December 2015

In the name of Allah, Most Gracious, Most Merciful

On behalf of myself and the members of the Board of Directors, I am pleased to present the Group annual report for the financial year ending on the 31st of December 2015.

In an evolving and continually developing economy, it is not uncommon to see companies and leadership teams change. There are those that try to sustain the status quo and those that chose to use the momentum of change to lead them to the next level of progress. At Inovest, we ascribe to the latter. In 2015, Inovest embraced a number of key changes in its structure and executive management team. Through the turbulence of such changes, Inovest has settled onto more solid foundations. The Group results in 2015 reflects this, as well as another year of consolidation, of strengthening the Group, and of laying down the building blocks for a critical turning point that we envision will unfold within 2016.

Company Performance

Throughout 2015, the Group recorded a consolidated net loss of US$ 53.7 million by year end as compared to a loss of US$3.8 million at the end of 2014. At the heart of this, was a provision against certain investments and receivables to the tune of US$ 44.35 million, leaving actual losses before provisions at US$9.37. Savvy investors will understand and acknowledge the merits of this decision, and across the Board, we stand firmly behind such resolute actions towards ensuring our collaborative success in the coming years.

Throughout the year, the Group undertook a series of initiatives designed to lay the groundwork for the Group's future strategy. The initiatives were developed under a three pronged approach, simultaneously targeting a reduction and more stringent management of operating expenses, enhancement of the Group's liquidity position through debt and balance sheet restructuring, and the sale and exit of legacy investments.

Despite its challenging mandate, the executive management team, with assistance from the Board of Directors, was able to bring the Group liquidity balance up an impressive 371% to reach US$40.4 million in comparison to US$8.6 million in December 2014. Additionally, the Group was able to early settle a financing facility which resulted in the Group being able to reduce its financing balance by 34%, from US$36 million in 2014 down to US$23.9 million this year. The Group's revival plan additionally addressed the matter of legacy investments; the management team skillfully exited two long term investment funds, Aseel Real Estate Fund and Madaen Al Luzi Fund, through the sale of fund assets for approximately US$30 million.

Furthermore, with concerted efforts made to manage and monitor operating expenses, it was an accomplishment to successfully reduce operating expenses a further 12.1% without affecting the Group's future prospects. By year end 2015 operating expenses stood at US$11.2 million in comparison to US$12.7 million in December 2014. By all means, the Group will continue to manage its operating expenses in balance of requirements for growth and development; it is expected that the final impact of the Group's saving initiatives will be felt in 2016. In addition, the Group was also able to reduce its outstanding receivables balance by 17.3%. Within the year, the efforts of the executive management team, supported by the Board of Directors, resulted in the recovery of approximately US$15 million in receivables, a segment of which stems from the Group's long outstanding receivables; a sizeable feat in current economic conditions.

By fully understanding the root causes of the problems faced in the past few years, and especially those in 2015, the management and Board were able to develop decisive solutions and integrate these into the company's revival plan. Our proactive efforts in resolving issues will continue throughout 2016 and stand testament to our commitment to doing business the right way and supporting the commitment to a more sustainable future.

Future Outlook

Taking on lessons learned, our corporate vision, and our specific directives for achieving profitability in years to come has culminated in our 2016-2018 strategy that takes on the Group's key strengths, addresses its weakness, and positions it to capture a pipeline of promising opportunities Coming into this strategy with a solid liquidity balance opens the starting gates for what we envision, God willing, to be a profitable year for the Group.

Our optimism for the years to come falls against a geopolitical and economic environment, defined most critically by the steep drop of oil prices, a matter that cannot be ignored and whose impact is felt across the globe, and more so across the region. This represents quite a challenge for oil-producing nations and particularly those in the GCC for whom oil production represents a major artery into our economic performance. There has accordingly been some speculation on the impact of this price drop on the volume of regional business. However, in our humble opinion, we believe that larger infrastructural projects will not be impacted by this, and will hopefully proceed as scheduled. We thereby look to our construction company, Tamcon, with increased confidence on their delivery of key national projects.

In light of such economic conditions, our three year plan, at its core, seeks to capitalize on efficient and effective use of resources and to further create a buffer to enable us to navigate the possible reality of strenuous times, but also to establish the foundations for a promising future.

With the critical aim of returning the Group to profitable grounds, our opportunistic approach to the Group's investment structure will be based on diversification within various value adding sectors, and in diverse geographical locations, enabling us to garner higher returns at acceptable risks. This will be contingent on building long term relationships with strategic partners, to improve upon our policies and risk frameworks, and to continue along our current mandate of investment exits and asset sales. Throughout, and in order to maximize profitability, we will focus on direct investment, with limited external funding, in well assessed, calculated investment opportunities within specifically identified sectors.

By all means, the Group expects to face a challenging year to come, but overall, armed as we are to face these challenges, we stand at the precipice of a new and improved era within the Group's lifeline.

In Closing

In my capacity as Chairman, and on behalf of the members of the Board of Directors, I would like to extend my appreciation 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 corporate journey and success. Finally, I would like to thank my fellow board members for their time and considerable efforts dedicated to paving the way for successful year to come.

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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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 2015, 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 2015, 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 2015 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
15 February 2015
Manama, Kingdom of Bahrain

Inovest B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	*2015* *US$ '000*	*2014* *US$ '000*
ASSETS			
Cash and bank balances	6	**40,430**	8,582
Trade and other receivables	7	**51,916**	62,790
Investments	8	**18,753**	23,055
Investment in joint ventures and associates	9	**91,692**	94,531
Investments in real estate	10	**54,817**	65,773
Properties under development		**-**	5,585
Property, plant and equipment	11	**11,858**	7,807
Non-current asset held for sale	25	**6,822**	-
TOTAL ASSETS		**276,288**	268,123
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Trade and other payables	12	**120,500**	69,693
Financing from banks	13	**23,865**	35,983
Total liabilities		**144,365**	105,676
Owners' Equity			
Share capital	14	**114,604**	114,604
Less: Treasury shares	14	**(651)**	(651)
		113,953	113,953
Share premium	15	**30,760**	30,760
Reserves	15	**21,515**	21,515
Accumulated losses		**(51,873)**	(3,781)
Equity attributable to parent`s shareholders		**114,355**	162,447
Non controlling interest		**17,568**	-
Total owners' equity		**131,923**	162,447
TOTAL LIABILITIES AND OWNERS' EQUITY		**276,288**	268,123

Khaled Saoud Al Sanousi
Chairman

Murad Al Ramadhan
CEO & Chief Investment Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

Inovest B.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Note	*2015* *US$ '000*	*2014* *US$ '000*
OPERATING INCOME			
(Loss) / income from investment in real estate	16	**(2,161)**	4,782
Income from investments	17	**781**	230
Fee for management and other services	18	**961**	1,629
Net income from construction contracts	19	**4,817**	2,243
Net share of (loss) / profit from investment in joint ventures and associates	9	**(3,760)**	832
Other income	20	**1,161**	3,538
TOTAL OPERATING INCOME		**1,799**	13,254
OPERATING EXPENSES			
Staff costs	21	**4,914**	5,680
General and administrative expenses	22	**2,902**	3,205
Financing costs		**2,828**	3,000
Property related expenses		**260**	178
Depreciation	11	**270**	652
TOTAL OPERATING EXPENSES		**11,174**	12,715
NET OPERATING (LOSS) / PROFIT		**(9,375)**	539
Provision - net	23	**(44,353)**	(4,384)
LOSS FOR THE YEAR		**(53,728)**	(3,845)
Attributable to :			
Equity Shareholders of the Parent		**(48,092)**	(3,845)
Non Controlling Interest		**(5,636)**	-
BASIC AND DILUTED LOSS PER SHARE (US cents)	24	**(16.88)**	(1.35)

Khaled Saoud Al Sanousi
Chairman

Murad Al Ramadhan
CEO & Chief Investment Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2015

				Reserves					
	Share capital	*Treasury shares*	*Share premium*	*Statutory reserve*	*Share option reserve*	*Accumulated losses*	*Total*	*Non controlling interest*	*Total owners' equity*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Balance at 1 January 2015	114,604	(651)	30,760	21,473	42	(3,781)	162,447	-	162,447
Acquisition during the period (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**
Balance at 1 January 2014	114,604	(651)	30,760	21,473	35	64	166,285	-	166,285
Net loss for the year	-	-	-	-	-	(3,845)	(3,845)	-	(3,845)
Share option charge (net)	-	-	-	-	7	-	7	-	7
Balance at 31 December 2014	114,604	(651)	30,760	21,473	42	(3,781)	162,447	-	162,447

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY

For the year ended 31 December 2015

	2015	*2014*
	US$ '000	*US$ '000*
Sources of charity funds		
Undistributed charity funds at the beginning of the year	**626**	629
Contributions by the Company	**-**	-
Total sources of charity funds during the year	**626**	629
Uses of charity funds		
Contributions for charitable purposes	**-**	3
Total uses of funds during the year	**-**	3
Undistributed charity funds at 31 December	**626**	626

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 US$ '000	2014 US$ '000
OPERATING ACTIVITIES			
Net loss for the year		**(53,728)**	(3,845)
Adjustments for:			
Depreciation	11	**947**	948
Charge on share option plan		**-**	7
Provision - net	23	**44,353**	4,134
Net share of (profit) / loss from investment in joint ventures and associates	9	**3,760**	(832)
Realised gain on sale of investment in real estate		**(374)**	(1,613)
Realised gain on sale of investment in associate	17	**(72)**	-
Unrealised fair value loss on investment in real estate	10	**3,160**	-
		(1,954)	(1,201)
Net changes in operating assets and liabilities:			
Short-term placements (with an original maturity of more than 90 days)		**(6,632)**	(2,122)
Trade and other receivables		**(6,992)**	(5,752)
Trade and other payables		**41,693**	(17,174)
Net cash from (used in) operating activities		**26,115**	(26,249)
INVESTING ACTIVITIES			
Proceeds from sale of investment		**-**	138
Acquisition of a subsidiary	5	**47**	-
Purchase of investment in real estate	10	**(418)**	-
Proceeds from sale of investment in real estate - net		**9,931**	16,954
Additions to properties under development		**-**	(519)
Purchase of investment in a joint venture and associates	9	**(326)**	-
Proceeds from disposal / capital redemption from investment in a joint ventures and associates	9	**6,347**	567
Dividends received from a joint venture and associates	9	**636**	3,979
Purchase of property, plant and equipment	11	**(5,003)**	(1,683)
Proceeds from sale of property, plant and equipment		**5**	3
Net cash from investing activities		**11,219**	19,439
FINANCING ACTIVITY			
Net movement in financing from banks	13	**(12,118)**	(3,974)
Net cash used in financing activity		**(12,118)**	(3,974)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**25,216**	(10,784)
Cash and cash equivalents at the beginning of the year		**6,393**	17,177
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	**31,609**	6,393
Non cash transactions comprise:			
Recognition of investment in joint ventures and associates (acquisition of a subsidiary)	5	**55,509**	-
Derecognition of investment in joint ventures and associates (acquisition of a subsidiary)	9	**27,623**	-
Non controlling interest (acquisition of a subsidiary)	5	**23,204**	
Contribution of investment in real estate		**4,242**	-
Transfer from properties under development to investment in real estate		**5,457**	-
Investment in joint venture trasfer to non-current asset held for	25	**6,822**	
Net movement in receivables (acquisition of a subsidiary)		**124**	-
Trade and other payables (acquisition of a subsidiary)		**375**	-

The attached notes 1 to 32 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 and committing to operate under the Islamic Shari'a principles;
- 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 2015. Notes 9, 12, 15 and 18 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 2015 was 1,178 (31 December 2014: 670).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 15 February 2016.

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").

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:

Name of the subsidiary	*Ownership 2015 and 2014*	*Country of incorporation*	*Year of incorporation*	*Activity*
Held directly by the Company				
Al Khaleej Development Co. B.S.C. (c)	99.98%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

Name of the subsidiary	*Ownership 2015 and 2014*	*Country of incorporation*	*Year of incorporation*	*Activity*
Held directly by the Company (continued)				
Tameer for Private Management W.L.L.	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%	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%	Kingdom of Bahrain	2005	Management and maintenance of properties
Tamcon Contracting Co. B.S.C. (c) *	99.00%	Kingdom of Bahrain	2007	Contracting activities
Dannat Resort Development Company Limited (note 5)	58.29%	Cayman Islands	2008	Managing and Development of Real Estate Projects
Tamcon Trading S.P.C.*	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its
Eresco Tamcon JV B.S.C. (c)**	100.00%	Kingdom of Bahrain	2014	Construction and maintenance of villas.

* 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)**

During the year 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. Considering the key terms of the 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.

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 Murabaha deposits with an original maturity of three months or less.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Murabaha financing

Murabaha consists of sale transaction agreements (Murabaha) and commodity agreements stated at net of deferred profit and provision for impairment. These are amounts placed with financial institutions with maturity between 91 and 360 days. The contracts are stated at fair value of consideration given less impairment. The Group considers the promise made in Murabaha to the purchase orderer as obligatory.

c. Trade and other receivables

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Investments (continued)

Investment in associates and joint ventures (continued)
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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Trade and other payables

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 banks

Financing from banks are 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.

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:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenue recognition (continued)

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 30 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

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:

	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

6 CASH AND BANK BALANCES

	2015 *US$ '000*	*2014* *US$ '000*
Current account balances with banks (note 6.1)	**29,440**	6,374
Short-term deposits (with an original maturity of 90 days or less)	**2,122**	-
Cash in hand	**47**	19
Total cash and cash equivalents	**31,609**	6,393
Short-term deposits (with an original maturity of more than 90 days)	**8,821**	2,189
Total cash and bank balances	**40,430**	8,582

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

7 TRADE AND OTHER RECEIVABLES

	2015 *US$ '000*	*2014* *US$ '000*
Trade receivables	**21,738**	30,649
Amounts due from related parties (note 25)	**31,917**	33,857
Prepayments and other receivables	**13,324**	6,479
Rent receivable	**392**	393
Advance to contractors and suppliers	**11,568**	609
	78,939	71,987
Less: provision for impaired receivables	**(27,023)**	(9,197)
	51,916	62,790

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

None of the trade receivables are secured as collateral against the financing facilities obtained. (2014: US$ 13.26 million) (note 13).

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

	2015 *US$ '000*	*2014* *US$ '000*
At 1 January	**9,197**	5,300
Charge during the year	**21,663**	4,147
Write back during the year	**(3,837)**	-
Write off during the year	**-**	(250)
At 31 December	**27,023**	9,197

8 INVESTMENTS

	2015 *US$ '000*	*2014* *US$ '000*
Equity-type instruments at fair value through equity - Unquoted		
Real estate related	**23,539**	23,539
Others	**6,892**	6,892
	30,431	30,431
Less: Provision for impairment	**(11,678)**	(7,376)
At 31 December	**18,753**	23,055

8 INVESTMENTS (continued)

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.

The investments stated at a carrying amount of US$ 5.31 million (2014: US$ 5.31 million) are secured as collateral against the financing facilities obtained (note 13).

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

	2015	*2014*
	US$ '000	*US$ '000*
At 1 January	**7,376**	7,501
Charge during the year (Note 23)	**4,302**	375
Recovery during the year	**-**	(138)
Write off during the year	**-**	(362)
At 31 December	**11,678**	7,376

9 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	2015	*2014*
	US$ '000	*US$ '000*
At 1 January	**94,531**	98,245
Investment in joint venture from acquistion of a subsidiary (note 5)	**55,509**	-
Acquisitions during the year	**326**	-
Investments in associate derecognised	**(27,623)**	-
Transfer to non-current asset held for sale	**(6,822)**	-
Disposals during the year	**(6,347)**	(567)
Net share of (loss) / profit	**(3,760)**	832
Dividends received during the year	**(636)**	(3,979)
	105,178	94,531
Provision for impairment (note 23)	**(13,486)**	-
At 31 December	**91,692**	94,531

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

	2015	*2014*
	US$ '000	*US$ '000*
At 1 January	-	-
Charge during the year	**13,486**	-
At 31 December	**13,486**	-

The Group has an investment in the following joint ventures:

Name	*Principal activities*	*Ownership*	
		2015	*2014*
Tala Property Development W.L.L. (note 25)	Property management, development and maintenance and purchase and sale of properties	**60.00%**	60.00%

9 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

Name	***Principal activities***	***Ownership***	
		2015	***2014***
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%**	-

Name	***Country of incorporation***	***Carrying value***	
		2015	***2014***
		US$ '000	***US$ '000***
Tala Property Development W.L.L. (note 25)	*Kingdom of Bahrain*		7,081
First Gulf Real Estate Company WLL	*Kingdom of Saudi Arabia*	**42,012**	-

Summarised financial information of joint ventures

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

	2015	***2014***
	US$ '000	***US$ '000***
Total assets	**76,136**	18,085
Total liabilities	**514**	6,283
Total revenues	**19,860**	1,795
Total net profit	**18,957**	542

The joint venture had no contingent liabilities or capital commitments as at 31 December 2015 and 2014.

The principal associates of the Group are:

Name of associate	***Principal activities***	***Ownership***	
		2015	***2014***
Aseel Real Estate Company (note 9.1)	*Purchase, sale, development and management of private properties*	-	23.40%
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%
Madaen Al Luzi Company Ltd. (note 9.1)	*Development and sale of residential properties*	-	29.28%
Takhzeen Warehousing and Storage Company B.S.C. (c)	*Management and maintenance of warehouses*	**35.52%**	35.52%
Boyot Al Mohandseen Contracting Company	*Development of real estate in Dhahran, Kingdom of Saudi Arabia*	**23.17%**	23.17%
Dannat Resort Development Company Ltd (note 5)	*Development of real estate in Al Khobar, Kingdom of Saudi Arabia*	-	49.66%

9 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

Name of associate	*Country of incorporation*	*Carrying Value*	
		2015	*2014*
		US$ '000	*0*
Aseel Real Estate Company (note 9.1)	Cayman Islands	-	820
Durrat Marina Investment Company Ltd.	Cayman Islands	**33,414**	33,020
BIW Labour Accommodation W.L.L.	Kingdom of Bahrain	**8,001**	12,154
Madaen Al Luzi Company Ltd. (note 9.1)	Cayman Islands	-	5,580
Takhzeen Warehousing and Storage Company B.S.C. (c)	Kingdom of Bahrain	**4,625**	4,406
Boyot Al Mohandseen Contracting Company	Kingdom of Saudi Arabia	**3,640**	3,599
Dannat Resort Development Company Ltd (note 5)	Cayman Islands	-	27,871
		49,680	87,450

Note 9.1
These investments were liquidated during the year.

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

	2015	*2014*
	US$ '000	*US$ '000*
Summarised financial information of associates		
Total assets	**218,763**	317,896
Total liabilities	**30,354**	38,100
Total revenues	**(12,374)**	4,511
Total net (loss) / profit	**(14,723)**	1,188

The associates had no contingent liabilities or capital commitments as at 31 December 2015 and 2014.

10 INVESTMENTS IN REAL ESTATE

	2015	*2014*
	US$ '000	*US$ '000*
At 1 January	**65,773**	81,114
Transferred from properties under development	**5,585**	-
Purchases during the year	**418**	-
Unrealised fair value loss on investment in real estate	**(3,160)**	-
Disposals during the year	**(13,799)**	(15,341)
At 31 December	**54,817**	65,773

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$ 63.98 million. However, based on the 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$ 54.82 million approximates its fair value.

Investments in real estate stated at a carrying amount of US$ 31.65 million (2014: US$ 38.85 million) are secured as collateral against the financing facilities obtained (note 13).

11 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 2015	4,284	5,033	1,362	1,453	3,205	15,337
Additions	-	3,399	215	458	931	5,003
Disposals	-	(369)	(177)	(203)	-	(749)
At 31 December 2015	**4,284**	**8,063**	**1,400**	**1,708**	**4,136**	**19,591**
Accumulated depreciation						
At 1 January 2015	727	4,416	1,260	1,127	-	7,530
Charge	173	504	75	195	-	947
Disposals	-	(369)	(177)	(198)	-	(744)
At 31 December 2015	**900**	**4,551**	**1,158**	**1,124**	-	**7,733**
Net book amount:						
At 31 December 2015	**3,384**	**3,512**	**242**	**584**	**4,136**	**11,858**
At 31 December 2014	3,557	617	102	326	3,205	7,807

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

	2015* *US$ '000	*2014* *US$ '000*
Depreciation charged to contract costs (note 19)	**677**	296
Depreciation charged to expenses	**270**	652
	947	948

12 TRADE AND OTHER PAYABLES

	2015* *US$ '000	*2014* *US$ '000*
Lease rent payables (note 12.1)	**50,105**	50,105
Advance from a client for construction contract	**35,824**	-
Accruals and other payables	**17,807**	12,635
Case compensation and other contingencies (note 12.2)	**8,739**	-
Trade payables	**5,576**	5,381
Retentions payable	**1,469**	1,359
Amounts due to related parties (note 12.3)	**980**	213
	120,500	69,693

Note 12.1
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).

12 TRADE AND OTHER PAYABLES (continued)

Note 12.2
During the period, 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 12.3
Amounts due to related parties are unsecured, bear no profit, have no fixed repayment terms and are authorised by the Group's management.

13 FINANCING FROM BANKS

	2015 US$ '000	*2014 US$ '000*
Ijara financing	-	803
Musharaka financing	**23,865**	35,180
Total financing from banks	**23,865**	35,983

The Group has obtained the financing from banks to fund the acquisition of investments, purchase of properties and to meet working capital requirements. These liabilities bear market rates of profit and are repayable in accordance with the repayment terms agreed with respective banks.

14 SHARE CAPITAL

	2015 US$ '000	*2014 US$ '000*
Authorised		
375,000,000 (31 December 2014: 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 2014: 286,511,225) ordinary shares of US$0.40 each	**114,604**	114,604
Treasury shares		
Less: 1,627,825 (31 December 2014: 1,627,825) treasury shares of US$0.40 each	**(651)**	(651)
Closing balance		
284,883,400 (31 December 2014: 284,883,400) ordinary shares of US$ 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.

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):

14 SHARE CAPITAL (continued)

At 31 December 2015

Additional information on shareholding pattern (continued)

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%**

At 31 December 2014

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	19,036,298	6.64%
Others	Various	220,700,553	77.04%
		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 2015

Categories:	***No. of shares***	***No. of shareholders***	***% of total outstanding shares***
Less than 1%	95,351,949	736	**33.28%**
1% up to less than 5%	144,384,902	19	**50.39%**
5% up to less than 10%	46,774,374	3	**16.33%**
	286,511,225	758	**100%**

At 31 December 2014

Categories:	*No. of shares*	*No. of shareholders*	*% of total outstanding shares*
Less than 1%	105,555,476	791	36.84%
1% up to less than 5%	134,181,375	21	46.83%
5% up to less than 10%	46,774,374	2	16.33%
	286,511,225	814	100%

At 31 December 2015, the Board of Directors collectively hold 0.46% of the shares of the total issued and fully paid-up share capital of the Company (31 December 2014: 0.61%).

14 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 2015	***2015***
Fareed Soud AlFozan	**962,650**
Yousif Ali 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

	Number of shares
31 December 2014	
Fareed Soud Al-Fozan	962,650
Samir Yaqoob Al-Nafisi	474,723
Bader Khalifa Al Adsani	100,000
Mohammed Ebrahim Al-Nughaimish	78,050
Bashar Naser Al-Tuwaijri	78,050
Abdulrahman Yousif Fakhro	49,530
	1,743,003

15 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. As the Group has reported net losses during the years ended 31 December 2015 and 31 December 2014, no transfer was made to the statutory reserve.

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.

16 (LOSS) / INCOME FROM INVESTMENT IN REAL ESTATE

	2015 US$ '000	2014 US$ '000
Rental income	**625**	516
Realised gains on sale of investment in real estate	**374**	1,613
Unrealised fair value losses on investment in real estate	**(3,160)**	-
Reversal of excess accruals (note 16.1)	**-**	2,653
	(2,161)	4,782

Note 16.1
During 2014, the Group reversed excess accruals amounting to US$ 2.6 million relating to completed and sold projects. A detailed exercise was undertaken by the Group to assess the likelihood of payments against these accruals. It was concluded that as the projects are completed and sold and no further work is required on these projects, the accruals are no longer required.

17 INCOME FROM INVESTMENTS

	2015 US$ '000	2014 US$ '000
Dividend income	**709**	230
Realised gain on sale of associate	**72**	-
	781	230

18 FEE FROM MANAGEMENT AND OTHER SERVICES

	2015 US$ '000	2014 US$ '000
Financial advisory service charges	**218**	226
Property and facility management income	**743**	1,403
	961	1,629

19 NET INCOME FROM CONSTRUCTION CONTRACTS

	2015 US$ '000	2014 US$ '000
Contract income	**43,577**	14,007
Contract costs	**(38,760)**	(11,764)
	4,817	2,243

The contract costs include depreciation amounting to US$ 677 thousand (2014: US$ 296 thousand) (note 11).

20 OTHER INCOME

	2015 US$ '000	2014 US$ '000
Electricity and water services	**885**	1,876
Others	**186**	107
Murabaha / Mudaraba profit	**90**	128
Discount on settlement (note 20.1)	**-**	1,427
	1,161	3,538

Note 20.1

During 2014, the Group recognised a liability for a guarantee provided to a financial institution on behalf of a project company, as the project company had defaulted on the facility. During the current period the Group settled the facility for the project company and availed a 50 cent to a dollar discount on settlement.

21 STAFF COSTS

	2015 US$ '000	2014 US$ '000
Salaries and benefits	**3,859**	4,848
Other staff expenses	**1,055**	832
	4,914	5,680

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 US$ '000	2014 US$ '000
Rent, rates and taxes	**812**	1,054
Legal and professional consultancy	**587**	637
Advertising and marketing	**213**	470
Board member expenses	**102**	150
Other expenses	**1,188**	894
	2,902	3,205

23 PROVISION - NET

	2015 US$ '000	2014 US$ '000
Provision for impaired receivables - net (note 7)	**17,826**	4,147
Provision for impaired investments - net (note 8)	**4,302**	237
Provision for impaired investment in a joint venture - net (note 9)	**13,486**	-
Provision for case compensation and other contengencies (note 12)	**8,739**	-
	44,353	4,384

24 BASIC AND DILUTED EARNINGS PER SHARE

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

24 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	2015 *US$ '000*	*2014* *US$ '000*
Loss attributable to the equity shareholders of the parent for the year	**(48,092)**	(3,845)
Weighted average number of shares outstanding at the beginning and end of the year	**284,883**	284,883
Loss per share - US$ cents	**(16.88)**	(1.35)

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

25 NON-CURRENT ASSET HELD FOR SALE

On 23 November 2015, based on the approval of the Board of Directors, the Group has decided to sell one of its joint venture to a prospective buyer. Accordingly the joint venture (Tala Property Development W.L.L.) has been classified as a non-current asset held for sale. The sale is expected to be completed during the first quarter of 2016, by means of sale of Groups 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 are 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.

26 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.

26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	31 December 2015					31 December 2014				
	Shareholders 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	Shareholders 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
Trade and other receivables	-	16,440	1	4,218	20,659	568	29,828	21	3,440	33,857
Trade and other payables	-	776	-	204	980	-	49	88	76	213
Contingencies and commitments	-	69,221	-	-	69,221	-	74,310	-	-	74,310

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

	31 December 2015					31 December 2014				
	Shareholders 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	Shareholders 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	-	526	-	188	714	-	533	27	189	749
Net (loss) / income from construction contracts	-	-	-	(43)	(43)	42	-	8	520	570
Net share of (loss) / profit from investment in joint ventures and associates	-	(3,760)	-	-	(3,760)	-	832	-	-	832
Other income	-	108	-	-	108	-	274	-	-	274
	-	(3,126)	-	145	(2,981)	42	1,639	35	709	2,425
Expenses										
Staff costs	-	-	(1,856)	-	(1,856)	(531)	-	(2,814)	-	(3,345)
General and administrative expenses	-	(37)	(102)	-	(139)	-	(83)	-	(48)	(131)
Provision for impaired receivables (note 7)	-	(11,258)	-	-	(11,258)	-	-	-	-	-
	-	(11,295)	(1,958)	-	(13,253)	(531)	(83)	(2,814)	(48)	(3,476)

26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2015 *US$ '000*	*2014* *US$ '000*
Salaries and other benefits	**1,773**	2,760
End of service benefits	**83**	54
	1,856	2,814

27 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 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 joint ventures and associates (note 9)	(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

27 SEGMENTAL INFORMATION (continued)

	31 December 2014					
	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	1,762	2,243	3,889	760	-	8,654
Inter-segment transactions	-	258	-	83	(341)	-
Income from investments	230	-	-	-	-	230
Net share of profit / (loss) from investment in a joint venture and associates (note 9)	723	-	109	-	-	832
Other income	1,458	114	1,963	3	-	3,538
Total revenue	4,173	2,615	5,961	846	(341)	13,254
Segment (loss) / profit	(5,550)	1,028	1,016	(81)	(258)	(3,845)
Segment assets	256,807	32,408	64,814	2,691	(88,597)	268,123
Segment liabilities	53,766	10,134	56,259	1,417	(15,900)	105,676

28 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:

	2015* *US$ '000	*2014* *US$ '000*
Guarantees	**69,221**	74,310

During 2014 the Group has provided guarantee on behalf of one it's group company Tamcon Contracting Co. B.S.C. (c) amounting to US$ 66 million to a conventional non-islamic bank.

The Group has the following operating lease commitments:

	2015* *US$ '000	*2014* *US$ '000*
Future minimum lease payments:		
Within one year	**453**	844
After one year but not more than five years	**1,339**	1,341
Total	**1,792**	2,185

29 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 2015, the carrying value of such assets is US$ 210 million (31 December 2014: US$ 268 million).

30 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.

30 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 2015 US$ '000	Gross maximum exposure 2014 US$ '000
Trade and other receivables	**78,939**	72,054
Commitments and contingent liabilities	**69,221**	74,310
Total	**148,160**	146,364

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 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
Trade and other receivables	9,180	3,714	2,005	-	14,899

	31 December 2014				
	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
Trade and other receivables	12,542	16,721	1,385	-	30,648

The Group's trade and other receivable amounting to US$ 5.49 million (31 December 2014: US$ 25.51 million) are secured against lease hold rights over the underlying land.

Trade and other receivables amounting to US$ 32.44 million (31 December 2014: US$ 11.78 million) have been classified as individually impaired.

30 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 2015			*31 December 2014*		
	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	218,931	144,365	69,221	224,948	105,676	74,310
Other GCC countries	57,357	-	-	43,175	-	-
	276,288	144,365	69,221	268,123	105,676	74,310

	31 December 2015			*31 December 2014*		
	Assets US$ '000	*Liabilities US$ '000*	*Contingent liabilities US$ '000*	*Assets US$ '000*	*Liabilities US$ '000*	*Contingent liabilities US$ '000*
Industry sector:						
Real estate	177,733	116,350	69,221	179,076	99,844	74,310
Non real estate	98,555	28,015	-	89,047	5,777	-
	276,288	144,365	69,221	268,123	105,621	74,310

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 2015 and 2014, 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.

30 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 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
Trade and other receivables	-	-	-	11,568	40,348	-	-	-	51,916
Investments	-	-	-	-	18,753	-	-	-	18,753
Investment in joint ventures and associates	-	-	-	-	91,692	-	-	-	91,692
Investments in real estate	-	-	-	-	54,817	-	-	-	54,817
Properties under development	-	-	-	-		-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	11,858	11,858
Non-current asset held for sale	-	6,822	-	-	-	-	-	-	6,822
Total assets	29,488	15,045	2,653	11,634	205,610	-	-	11,858	276,288
LIABILITIES									
Trade and other payables	-			-	70,395	-	50,105	-	120,500
Financing from banks		9,974	2,933	7,830	3,128	-	-	-	23,865
Total liabilities	-	9,974	2,933	7,830	73,523	-	50,105	-	144,365
Net liquidity gap	29,488	5,071	(280)	3,804	132,087	-	(50,105)	11,858	131,923
Cumulative liquidity gap	29,488	34,559	34,279	38,083	170,170	170,170	120,065	131,923	
Contingencies and commitments	-	-	-	-	69,221	-	-	-	69,221

30 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 2014 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	7,757	825	-	-	-	-	-	-	8,582
Trade and other receivables	-	-	-	5,688	57,102	-	-	-	62,790
Investments	-	-	-	-	23,055	-	-	-	23,055
Investment in joint ventures and associates	-	-	-	-	94,531	-	-	-	94,531
Investments in real estate	-	-	-	-	65,773	-	-	-	65,773
Properties under development	-	-	-	-	5,585	-	-	-	5,585
Property, plant and equipment	-	-	-	-	-	-	-	7,807	7,807
Total assets	7,757	825	-	5,688	246,046	-	-	7,807	268,123
LIABILITIES									
Trade and other payables	-	742	4,695	-	14,151	-	50,105	-	69,693
Financing from banks	1,897	-	2,696	5,539	25,851	-	-	-	35,983
Total liabilities	1,897	742	7,391	5,539	40,002	-	50,105	-	105,676
Net liquidity gap	5,860	83	(7,391)	149	206,044	-	(50,105)	7,807	162,447
Cumulative liquidity gap	5,860	5,943	(1,448)	(1,299)	204,745	204,745	154,640	162,447	
Contingencies and commitments	-	-	-	-	74,310	-	-	-	74,310

30 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.

31 SOCIAL RESPONSIBILITY

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

32 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.