

ALKFFA HOLDING B.S.C. (c)
(PREVIOUSLY KNOWN AS
INVESTORS BANK B.S.C. (c))

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

ALKFFA HOLDING B.S.C. (c)
(PREVIOUSLY KNOWN AS
INVESTORS BANK B.S.C. (c)
YEAR ENDED DECEMBER 31, 2017

<u>Commercial Registration No.</u>	39646-1
<u>Chairman</u>	Mr. Ali Saleh Ayesh Al Rashidi (Up to May 11, 2017) Mr. Jamal Fahad Al Nafisi (effective from May 11, 2017)
<u>Vice Chairman</u>	Mr. Majed Yousef Ahmed Al-Ali
<u>Directors</u>	Sheikh Yousif Abdulla Al-Sabah Mr. Abdulla Mohammad Al Rifaie Mr. Yahya Salem Al Harees (effective from May 11, 2017) Mr. Adel Jassim Al Sane (up to May 11, 2017) Mr. AbdulNaser Ahmed Mohamed (up to May 11, 2017)
<u>Registered Office</u>	Seef Star Building P.O. Box 11818 Seef Destrict, Kingdom of Bahrain.
<u>Bankers</u>	Bank of Bahrain and Kuwait Al Salam Bank – Bahrain Khaleeji Commercial Bank
<u>Auditor</u>	Deloitte & Touche – Middle East, P.O. Box 421, Manama, Kingdom of Bahrain.

ALKFFA HOLDING B.S.C. (c)
(PREVIOUSLY KNOWN AS
INVESTORS BANK B.S.C. (c)
YEAR ENDED DECEMBER 31, 2017

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**Sharia Supervisory Board Report on the activities
of ALKFFA Holding B.S.C.(c) (previously known as Investors Bank B.S.C.(c)
For the Financial Year Ended on 31 December 2017**



In The Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

TO the Shareholders of **ALKFFA Holding B.S.C.(c)**,

Acting as Sharia Supervisory Committee pursuant to the appointment resolution passed by the General Assembly of the Company, we are required to provide the following report:

The Sharia board of **ALKFFA Holding B.S.C.(c)** has reviewed the Company principles, contracts or agreements related transactions, and applications submitted by the Company for the financial year ended on 31 December 2017, and upon comparing them with the fatwa and rulings issued during the financial year ended on 31 December 2017, we found them compatible with the above mentioned fatwa and rulings.

We performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance **ALKFFA Holding B.S.C.(c)** has not violated Islamic Shari rules and principles.

The Sharia board believes that it has expressed its opinion in respect of the activities carried out by **ALKFFA Holding B.S.C.(c)**, and the management is responsible for ensuring that the Company conducts its business in accordance with Islamic Shari, However, our responsibility is limited to form an independent opinion based on our review of the activities and operations conducted by **ALKFFA Holding B.S.C.(c)**.

In our opinion:

The contracts, transactions and dealings entered into by the Company during the financial year ended on 31 December 2017 that we have reviewed are in compliance with the Islamic Shari rules and principles.

The calculation of Zakat is in compliance with Islamic Shari rules and principles.

The Sharia board has also discussed with the representative of the Company the financial statements for financial year ended on 31 December 2017, and the Sharia board is satisfied that these statements are in compliance with the Islamic Sharia.

This report has been prepared based on the information provided by the Company, The Sharia board is satisfied that the Company activities are in compliance with the Islamic Sharia.

Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

Sheikh Dr. Khalid Shuja'a Al-Otaibi. Chairman

Sheikh Dr. Murad Bou Daia. Member

Sheikh Dawoud Salman Bin Essa. Executive Member

Date: 21/4/2018

REPORT OF THE BOARD OF DIRECTORS

For the year ended December 31, 2017

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Muhammad.

Dear Shareholders

The Directors have pleasure to submit their report, together with the financial statements of ALKFFA HOLDING B.S.C. (C) for the year ended December 31, 2017.

Overview:

ALKFFA HOLDING B.S.C (C) (Previously known as Investors Bank B.S.C. (C)) was established in the Kingdom of Bahrain as an exempt company on December 2, 1997.

The Shareholders Extra-ordinary General meeting held on September 22, 2016, resolved to surrender the Company's banking license to the regulatory and discontinue all its banking operations. The shareholders have also approved to convert the activities from Banking to Holding company under the regulation of Ministry of Industry, Commerce and Tourism.

The procedures to surrender the Banking license were completed. The Central Bank of Bahrain (CBB) informed the Company through its letter dated January 31, 2017 that the Wholesale Bank License of the Company had been cancelled and its record has been removed from the CBB's register.

The Shareholders' resolved through an Extra-ordinary General meeting held on May 11, 2017 to reduce the Company's paid share capital from US\$ 80,000,000 distributed over 242,424,242 shares to US\$ 40,000,000 distributed over 121,212,121 shares, in order to extinguish part of the accumulated losses. In addition, the Shareholders resolved to fully extinguish the statutory reserve amounting to US\$ 8,027,709 as at December 31, 2016.

Principal Activities

The principal activities of the Company include investment transactions, participating in equity investments in projects in conformity with the Islamic Sharia. The Company is carrying on the activities of holding companies.

The company focuses on generating liquidity through its real estate portfolio.

Financial Position and Results

The detailed financial position of the Company at December 31, 2017 and the results for the year then ended are set out in the accompanying financial statements.

For all years up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

These financial statements for the year ended December 31, 2017 are the first the Company has prepared in accordance with IFRS. Accordingly, the management restated the comparative figures as detailed in Note 26 to the financial statements.

Financial highlights	2017	2016 (Restated)
Total assets	49,382,289	36,794,479
Total equity	42,363,949	29,710,535
Net profit for the year	12,274,264	4,991,806

REPORT OF THE BOARD OF DIRECTORS (continued)

Movement in accumulated losses	2017	2016 (Restated)
Balance as at January 1, 2016 (as previously stated)	-	(64,083,959)
Restatement of prior year figures	-	657,476
Balance at January 1	(58,900,966)	(63,426,483)
Net profit for the year	12,274,264	4,991,806
Reduction on the share capital / statutory reserve	48,027,709	-
Transfer to statutory reserve	(1,227,427)	(466,289)
Balance at December 31	173,580	(58,900,966)

Dividends

The Board of Directors has not made any appropriations for dividends for the year ended December 31, 2017 (December 31, 2016: nil).

Board of Directors

The following are the directors of the company as at December 31, 2017:

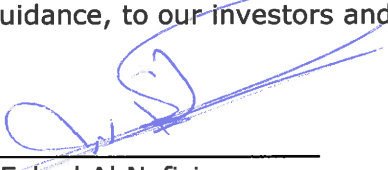
Name	Title	Independent/ Non Independent
Mr. Jamal Fahad Al Nafisi	Chairman	Non Independent
Mr. Majed Yousef Ahmed Al-Ali	Vice Chairman	Non Independent
Sheikh Yousif Abdulla Al-Sabah	Member	Non Independent
Mr. Abdulla Mohammad Al Rifaie	Member	Non Independent
Mr. Yahya Salem Al Harees	Member	Independent

Auditors

Deloitte & Touche have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Company for the year ending December 31, 2018; will be submitted to the Annual General Meeting.

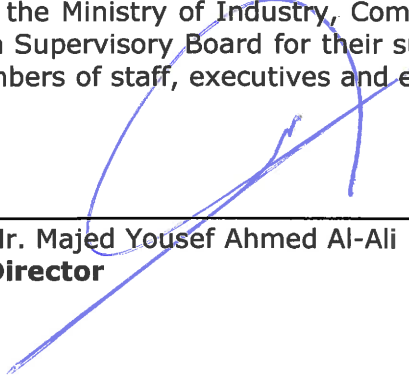
Thanks

We wish to express our gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, The King of the Kingdom of Bahrain, to His Royal Highness Prince Khalifa bin Salman Al Khalifa, The Prime Minister of the Kingdom of Bahrain and His Royal Highness Prince Salman bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain, the Ministry of Industry, Commerce and Tourism. Gratitude is also extended to the Sharia'a Supervisory Board for their support and valuable guidance, to our investors and to our members of staff, executives and employees.



Mr. Jamal Fahad Al Nafisi
Chairman

April 22, 2018



Mr. Majed Yousef Ahmed Al-Ali
Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Alkffa Holding B.S.C. (c)
(Previously Known As Investors Bank B.S.C. (c))
Manama, Kingdom of Bahrain

Report on the Financial Statements

We have audited the accompanying statement of financial position of Alkffa Holding B.S.C. (c) (Previously Known as Investors Bank B.S.C. (c)) (the "Company") as at December 31, 2017, and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Unified Shari'a Supervisory Board Report and Directors' report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law, we report that:

- (a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- (b) the financial information contained in the Board of Directors' report is consistent with the financial statements;
- (c) we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's Memorandum and Articles of Association during the year ended 31 December 2017 that might have had a material adverse effect on the business of the Company or on its consolidated financial position; and
- (d) satisfactory explanations and information have been provided to us by Management in response to all our requests.



DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184
Manama, Kingdom of Bahrain

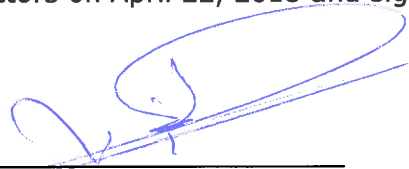
April 22, 2018

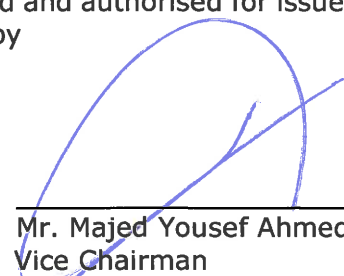
ALKFFA HOLDING B.S.C. (c)
(PREVIOUSLY KNOWN AS
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STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

		December 31, 2017	December 31, 2016	January 1, 2016
		US\$	US\$	US\$
	Notes		(Restated)	(Restated)
<u>ASSETS</u>				
Cash and balances with banks	5	2,202,726	516,088	3,107,075
Equity investments	6	15,719,379	5,995,937	3,738,763
Deferred payment sale receivable	7	3,680,203	3,680,203	3,680,203
Investments property	8	26,496,210	25,627,992	24,265,592
Other assets	9	1,273,314	949,433	954,129
Fixed assets	10	10,457	24,826	41,350
Total Assets		49,382,289	36,794,479	35,787,112
<u>LIABILITIES AND EQUITY</u>				
<u>Liabilities</u>				
Due to a financial institution	7	3,670,202	3,670,202	3,670,202
Murabaha payable	11	3,229,064	3,229,064	3,229,064
Payable against lease commitment		-	-	3,580,902
Other liabilities	12	119,074	184,678	262,302
Total Liabilities		7,018,340	7,083,944	10,742,470
<u>Equity</u>				
Share capital	13	40,000,000	80,000,000	80,000,000
Statutory reserve	13	1,227,427	8,027,709	7,561,420
Investments fair value reserve	14	962,942	583,792	909,705
Retained earnings / (accumulated losses)		173,580	(58,900,966)	(63,426,483)
Total Equity		42,363,949	29,710,535	25,044,642
Total Liabilities and Equity		49,382,289	36,794,479	35,787,112

The financial statements on pages 7 to 48 were approved and authorised for issue by the Board of Directors on April 22, 2018 and signed on its behalf by


 Mr. Jamal Fahad Al Nafisi
 Chairman


 Mr. Majed Yousef Ahmed Al-Ali
 Vice Chairman

The accompanying notes from 1 to 27 form an integral part of these financial statements

ALKFFA HOLDING B.S.C. (c)
(PREVIOUSLY KNOWN AS
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	2017 US\$	2016 US\$ (Restated)
Revenues			
Rental income from investment property		1,749,853	1,708,237
Fair value gain on investments at fair value through profit or loss, net	6	4,900	2,640,047
Fair value gain on investments property	8	868,218	1,362,400
Other income, net	15	27,367	44,937
Operating income		2,650,338	5,755,621
Expenses			
Staff costs		(128,542)	(119,820)
Administrative and general expenses	16	(551,324)	(564,443)
Depreciation	10	(19,674)	(22,592)
Operating expenses		(699,540)	(706,855)
Net profit before impairment		1,950,798	5,048,766
Provision for impairment of financial assets	6	-	(56,960)
Write-back of impairment of financial assets	17	10,323,466	-
Net profit for the year		12,274,264	4,991,806
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain / (loss) on available-for-sale investments		379,150	(325,913)
Total comprehensive income for the year		12,653,414	4,665,893

Mr. Jamal Fahad Al Nafisi
Chairman

Mr. Majed Yousef Ahmed Al-Ali
Vice Chairman

The accompanying notes from 1 to 27 form an integral part of these financial statements

ALKFFA HOLDING B.S.C. (c)
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Notes</u>	<u>2017</u> <u>US\$</u>	<u>2016</u> <u>US\$</u> (Restated)
Cash flows from operating activities			
Net profit for the year		12,274,264	4,991,806
Adjustments for:			
Depreciation	10	19,674	22,592
Provision for impairment of financial assets	6	-	56,960
Write-back of impairment of financial assets	17	(10,323,466)	-
Fair value gain on investments at fair value through profit or loss, net	6	(4,900)	(2,640,047)
Gain arising on changes in fair value of investment property	8	(868,218)	(1,362,400)
Dividend income	15	(6,620)	(44,830)
		1,090,734	1,024,081
(Increase) / decrease in other assets	9	(323,881)	4,696
Decrease in other liabilities	12	(65,604)	(77,624)
Payment against lease commitment		-	(3,580,902)
Net cash from / (used in) operating activities		701,249	(2,629,749)
Cash flows from investing activities:			
Purchase of fixed assets	10	(5,305)	(6,068)
Dividends received		6,620	44,830
Proceed from write-back of impairment of financial assets	17	984,074	-
Net cash from investing activities		985,389	38,762
Net increase / (decrease) in cash and cash equivalents		1,686,638	(2,590,987)
Cash and cash equivalents, beginning of year		516,088	3,107,075
Cash and cash equivalents, end of year	5	2,202,726	516,088

The accompanying notes from 1 to 27 form an integral part of these financial statements

**ALKFFA HOLDING B.S.C. (C)
(PREVIOUSLY KNOWN AS
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**STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Share Capital	Statutory Reserve	Investments Fair Value Reserve	Properties Fair Value Reserve	(Accumulated Losses) / retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance as at January 1, 2016 (as previously stated)	80,000,000	7,561,420	909,705	657,476	(64,083,959)	25,044,642
Restatement of prior year figures	-	-	-	(657,476)	657,476	-
Balance as at January 1, 2016 (restated)	80,000,000	7,561,420	909,705	-	(63,426,483)	25,044,642
Net profit for the year (restated)	-	-	-	-	4,991,806	4,991,806
Other comprehensive loss:						
Fair value loss on available-for-sale investments (Note 6)	-	-	(325,913)	-	-	(325,913)
Total comprehensive income for the year	-	-	(325,913)	-	4,991,806	4,665,893
Transfer to statutory reserve	-	466,289	-	-	(466,289)	-
Balance as at December 31, 2016 (restated)	80,000,000	8,027,709	583,792	-	(58,900,966)	29,710,535
Net profit for the year	-	-	-	-	12,274,264	12,274,264
Other comprehensive income:						
Fair value gain on available-for-sale investments (Note 6)	-	-	379,150	-	-	379,150
Total comprehensive income for the year	-	-	379,150	-	12,274,264	12,653,414
Reduction on the share capital/ statutory reserve (Note 13(i))	(40,000,000)	(8,027,709)	-	-	48,027,709	-
Transfer to statutory reserve	-	1,227,427	-	-	(1,227,427)	-
Balance as at December 31, 2017	40,000,000	1,227,427	962,942	-	173,580	42,363,949

The accompanying notes from 1 to 27 form an integral part of these financial statements

ALKFFA HOLDING B.S.C. (c)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. INCORPORATION AND ACTIVITIES

Alkffa Holding B.S.C. (c) (Previously Known As Investors Bank B.S.C. (c)) (the "Company") was established in the Kingdom of Bahrain as an exempt company on December 2, 1997 and was operating under an investment banking license [Wholesale Bank (Islamic principles)] granted by the Central Bank of Bahrain (the "CBB"). At the shareholders' extraordinary meeting held on September 22, 2016, it was resolved to surrender the Company's banking license and to discontinue all its banking operations. The procedures to surrender the Banking license were completed, and the CBB informed the Company through its letter dated January 31, 2017 that the Islamic Wholesale Bank License of the Company had been cancelled and its record has been removed from the CBB's register.

The postal address of the registered office of the Company is Seef Star Building, Seef District, P.O. Box 11818, Manama, Kingdom of Bahrain.

The Company's activities are supervised by a Shari'a Supervisory Board.

The principal activities of the Company include investment transactions, participating in equity investments in projects in conformity with the Islamic Shari'a. The Company is carry on the activities of holding companies.

The Company is subject to the requirements of the Bahrain Commercial Companies Law.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs):

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendment to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealized losses
The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

Disclosure Initiative - Amendment to IAS 7 Statement of Cash Flows

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle - Amendments to IFRS 12 Disclosure of Interests in Other Entities

The amendments provide relief from disclosing summarized information for interests in subsidiaries, associates, or joint ventures classified as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2.2 New and revised IFRS and interpretations in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs and interpretations that have been issued but are not yet effective:

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 Financial Instruments: Disclosures

Effective for annual periods beginning on or after January 1, 2018

- Amendments relating to disclosures about the initial application of IFRS 9.
- Amendments relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after January 1, 2018

Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

Amendments to IFRS 2 Share Based Payment

Effective for annual periods beginning on or after January 1, 2018

Amendments regarding classification and measurement of share based payment transactions.

Amendments to IAS 40 Investment Property

Effective for annual periods beginning on or after January 1, 2018

Paragraph 57 amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

Amendment to IFRS 4 Insurance Contracts

Effective for annual periods beginning on or after January 1, 2018

Amended by applying IFRS 9 with IFRS 4. Temporary exemption and the overlay approach.

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IFRIC 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after January 1, 2018

The Interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

Effective for annual periods beginning on or after January 1, 2018

Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23

Effective for annual periods beginning on or after January 1, 2019

IFRS 16 Leases

Effective for annual periods beginning on or after January 1, 2019

Specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IAS 28 Investments in Associates and Joint Ventures

Effective for annual periods beginning on or after January 1, 2019

Amendments relate to Long Term Interests in Associates and Joint Ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRIC 23 Uncertainty Over Income Tax Treatments

Effective for annual periods beginning on or after January 1, 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after January 1, 2021

Supersedes IFRS 4 Insurance Contracts. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

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Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

Effective date deferred indefinitely. Adoption is still permitted

Amendments relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Branch financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the financial statements of the Branch in the period of initial application.

The impact assessment of the application IFRS 9 is detailed below:

Impact assessment on the application of IFRS 9

The main expected impact of IFRS 9 is mainly driven by the impairment requirements on financial assets. Other areas of the standard consisting of classification and measurement and hedge accounting are not considered to have an impact.

Classification and measurement of financial assets:

In accordance with IFRS 9, financial assets are classified and measured by reference to the business model in which those assets are managed and their contractual cash flow characteristics at instrument level. The three principal classification categories for financial assets are: measured at amortized cost, at fair value through other comprehensive income (FVTOCI), and at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized costs when it meets both the criteria of held within a business model whose objective is to collect cash flows and its contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding.

The Company's financial assets as at December 31, 2017 consist of cash and balances with banks, deferred payment sale receivable and other financial assets. These will continue to be measured at amortized cost under IFRS 9. In addition, the Company has equity investments that are measured at fair value. The application of IFRS 9 is not expected to have an impact on the measurement of these investments. There may be an impact on classification depending on the Board of Directors' reassessment of the criteria under IFRS 9 pertaining to classification.

Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. ECL applies to financial assets that are debt instruments, lease receivable, loan commitments and financial guarantee contracts issued. The allowance for loss is measured either on the 12-month ECLs (possible default events within 12 months after the reporting date), or lifetime ECLs (all possible default events over the expected life of the asset).

The key inputs for the measurement of ECL are the probability at default 'PD' (12-month and lifetime); loss given default 'LGD'; and exposure at default 'EAD'.

The Board of Directors has yet to made assessment of the impact of the expected credit losses.

Extensive disclosures will be required in particular on credit risk and expected credit losses.

Hedge accounting:

The Company does not have hedging relationships as at December 31, 2017.

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3. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable requirements of the Bahrain Commercial Companies Law.

The financial statements had been previously prepared under the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Consequent to the delicensing the Company with the CBB, the Company decided to follow the IFRS framework and accordingly, prior years' figures were restated to conform to the treatment under IFRS, in particular relating to investment property (note 26).

Basis of Preparation

The financial statements have been prepared on the historical cost convention except for the measurement of certain financial instruments at fair value and certain fixed assets at the revaluation basis.

The financial statements are presented in United States Dollars ("US\$") which management considers is the functional currency of the Company.

Assets and liabilities are grouped according to their nature and presented in the statement of financial position in an approximate order that reflects their relative liquidity.

Summary of significant accounting policies

A. Cash and cash equivalents:

Cash and cash equivalents comprise cash and balances with banks and due from a financial institution.

B. Investments in equities:

Investments in equities are classified as either investments at fair value through profit or loss or available-for-sale investments.

All investments in equities are initially recognized at cost, being the fair value of the consideration on acquisition including related direct expenses. Direct expenses are transaction costs and include fees and commissions paid to agents, advisors and consultants, levies by regulatory agencies and transfer taxes and duties.

Subsequent to initial recognition:

- Investments that are classified as investments at fair value through profit or loss are carried at fair value. The fair value changes of investments at fair value through profit or loss are reported in the Statement of profit or loss and other comprehensive income.

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- Investments that are classified as available-for-sale investments are carried at fair value. The fair value changes of available-for-sale investments are reported in the statement of changes in owners' equity under "investments fair value reserve" until such time the investments are sold, realized or deemed to be impaired, at which time the realized gain or loss is reported in the profit or loss. The losses arising from impairment of such investments are recognized in the profit or loss under "provision for impairment" and removed from the "investments fair value reserve". Impairment losses recognized in the profit or loss for an equity instrument classified as available-for-sale investments are not reversed through the profit or loss.

C. Deferred Payment Sale Receivables:

Receivables arising from deferred payment sale are recognized at the time of contracting and stated at cost less impairment, if any.

D. Investment property:

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment property. Investments property are initially recorded at cost, being the fair value of the consideration given and directly attributable charges. Subsequent to initial recognition, investments property are measured at fair value.

The fair value changes of investments are reported in the Statement of profit or loss and other comprehensive income.

E. Fixed Assets:

Fixed assets are stated at historical cost, less accumulated depreciation and impairment loss, if any. Depreciation is recognized so as to write off the cost of these assets using the straight-line method over their useful lives estimated.

The estimated useful lives of the different fixed assets categories are 3 to 5 years.

Expenditures for maintenance and repairs is expensed as incurred. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of the asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

F. Due to Financial Institutions:

Amounts due to financial institutions are initially recognized at cost, being the fair value of consideration received plus accrued profit less amount repaid.

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G. Off-balance Sheet equity Investments Accounts:

Off-balance sheet equity investment accounts represent assets acquired by funds provided by holders of off-balance sheet equity investment accounts and their equivalent and managed by the Company as an investment manager based on either a Mudaraba contract or agency contract. The off-balance sheet equity investment accounts are exclusively restricted for investment in specified investment instruments as directed by the off-balance sheet equity of investment account holders. Assets that are held in such capacity are not included as assets of the Company in the financial statements.

Off-balance sheet equity investments in quoted securities are valued at their market bid price. Off-balance sheet equity investments in securities for which there are no quoted market prices or other appropriate methods from which to derive fair values, are stated at cost less impairment allowances, if any.

H. Employees' End-of-Service Benefits:

The Company makes contributions to the Social Insurance Organization scheme for its national employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due. For Bahrainis with basic salaries above a certain threshold, the Company recognizes leaving indemnity in line with the requirements of the Labor Law.

The Company also provides for end-of-service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salaries and length of service. The expected costs of these benefits are accounted over the period of employment.

I. Recognition of Income and Expense:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Dividend income from equity investments is recognized when the right to receive the dividend is established.

Rental income is recognized on the basis of the contractual amounts receivable on a time proportionate basis.

J. Earnings Prohibited by Shari'a:

The Company is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly, non-Islamic income, if any, is credited to a charity account where the Company uses these funds for charitable means.

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K. Dercognition of Financial Instruments:

A financial asset or part of a financial asset, is derecognized when:

- the contractual rights to the cash flows from the asset expire, or
- the Company transfers its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to another counterpart under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

A financial liability is derecognized when the contractual obligation is discharged, cancelled or expires.

L. Foreign Currencies:

Transactions in currencies other than the functional currency (foreign currencies) are initially recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value are retranslated at the functional currency closing exchange rates. Differences are taken to equity.

M. Fair Values:

For investments traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on an assessment of the value of future cash flows.

N. Provisions:

Provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

O. Offsetting Financial Instruments:

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, if and only if, there is a legally enforceable or religious right (as determined by Shari'a) to set off recognized amounts and the Company intends to settle on a net basis.

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P. Zakah:

In the absence of the appointment of the Company to pay Zakah on behalf of shareholders, the responsibility of payment of Zakah is on the shareholders of the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the accounting policies which are described in Note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant judgments and estimates are discussed below:

4-1 Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3, the management made the following judgements that may have significant effect on the amounts recognised in the financial statements.

4-1-1. Going Concern:

The Company's management is satisfied that the Company 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 Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4-1-2. Impairment of available-for-sale equity investments:

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Company also evaluates among other factors, normal volatility in the price of investments and the future cash flows.

4-2 Key sources of estimation uncertainty

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 discussed below:

4-2-1. Fair value of Investments property:

The Fair value of investments property is determined by independent real estate valuation experts. The determination of the fair value for such assets requires the use of judgment and estimates by the independent valuation experts that are based on local market conditions existing at the date of the statement of financial position.

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4-2-2. Impairment of Financial Assets:

At each reporting date, the Company's management assesses whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, may be impaired. An asset or a group of assets may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) have an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

5. CASH AND BALANCES WITH BANKS

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Cash at banks	735,625	514,762
Murabaha deposit (Note 5.1)	1,465,775	-
Cash in hand	<u>1,326</u>	<u>1,326</u>
	<u>2,202,726</u>	<u>516,088</u>

- 5.1 The Murabaha deposit has an original maturity of three months and has an expected profit rate of 2% p.a.

6. EQUITY INVESTMENTS

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Investments at fair value through profit or loss	2,784,642	2,779,742
Available-for-sale investments	<u>12,934,737</u>	<u>3,216,195</u>
	<u>15,719,379</u>	<u>5,995,937</u>

Investments at fair value through profit or loss consist of the following:

	Fair value hierarchy	<u>2017</u>	<u>2016</u>
		US\$	US\$
Quoted:			
GFH Financial Group	Level 1	7,366	8,131
Al Salam Bank - Bahrain	Level 1	136,333	146,248
Khaleeji Commercial Bank	Level 1	<u>40,943</u>	<u>25,363</u>
		184,642	179,742
Unquoted:			
Grand Real Estate Projects Co.	Level 3	<u>2,600,000</u>	<u>2,600,000</u>
		<u>2,784,642</u>	<u>2,779,742</u>

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Available-for-sale investments consist of the following:

	Fair value hierarchy	2017 US\$	2016 US\$
Quoted:			
Bahrain Islamic Bank (a)	Level 1	2,646,247	2,313,016
First Takaful Insurance Co.	Level 1	86,092	71,602
Bahrain Family Leisure Co.	Level 1	74,005	46,154
Takaful International, Bahrain	Level 1	656,765	656,765
		<u>3,463,109</u>	<u>3,087,537</u>
Unquoted:			
Takaful International, Kuwait	Level 3	128,658	128,658
International Investment Group	Level 3	9,342,970	-
International Projects Consultancy Co.	Level 3	-	-
Gulf Monetary Group	Level 3	-	-
		<u>9,471,628</u>	<u>128,658</u>
		<u>12,934,737</u>	<u>3,216,195</u>

(a) These shares are under legal dispute and in custody of the Court (Refer to Note 7).

(b) The Company's equity securities with a carrying value of US\$ 3,647,751 and US\$ 12,071,628 are categorised under Level 1 and Level 3 respectively in the fair value hierarchy (December 31, 2016: US\$ 3,267,279 and US\$ 2,728,658 under Level 1 and Level 3 respectively).

The movement of investments during the year is as follows:

	At fair value through profit or loss US\$	Available-for-sale US\$	Total US\$
Balance December 31, 2015	139,695	3,599,068	3,738,763
Net unrealised gain / (loss)	2,640,047	(325,913)	2,314,134
Impairment loss	-	(56,960)	(56,960)
Balance December 31, 2016	2,779,742	3,216,195	5,995,937
Net unrealised gain	4,900	379,150	384,050
Addition (Note 17(a))	-	9,339,392	9,339,392
Balance December 31, 2017	<u>2,784,642</u>	<u>12,934,737</u>	<u>15,719,379</u>

Information on the fair value of equity investments, including their levels in the fair value hierarchy is included in Note 19.

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7. DEFERRED PAYMENT SALE RECEIVABLE / DUE TO A FINANCIAL INSTITUTION

On March 7, 2004 the Company entered into a sale and purchase agreement with a financial institution to purchase shares of a related party for a total consideration of US\$ 5,811,957 including six-month deferred payment costs of US\$ 141,755. Concurrently the Company entered into an agreement with another related party to sell the same shares for a total consideration of US\$ 5,821,958 including deferred payment costs of US\$ 151,755, payable on September 30, 2004.

In accordance with the terms of the sale and purchase agreement, the Company pledged certain own equity investments in addition to subsequent dividend shares received, in favour of the financial institution, which carrying value as at December 31, 2017 amounted to US\$ 2,646,247 (US\$ 2,313,016 as at December 31, 2016) and dividends receivable up to 2006 totalling US\$ 887,733.

At the date of signature of both agreements, the net remaining amounts due to the financial institution and due from the related party amounted to US\$ 3,670,202 and US\$ 3,680,203 respectively (excluding deferred payment costs). No further settlements were made and the agreement was terminated by the financial institution, which retained the Company's pledged shares. The Company's management considered that the agreement was wrongfully terminated and the pledged shares are unlawfully retained. The Company has filed a legal case before the Courts of Bahrain against the financial institution for repossession of the pledged shares, which are currently under the custody of the Court with the related dividends discussed above. Further a cheque in the amount of US\$ 3,680,203 representing the amount due to the Company on the deferred sale of shares, was drawn by that related party and deposited at the Court.

In the opinion of the Company's Board of Directors, no provision is required to be made in the financial statements against the pledged shares or against any contingent liabilities that might arise on the final settlement.

8. INVESTMENT PROPERTY

	<u>2017</u> US\$	<u>2016</u> US\$
Carried at revalued amounts:		
Al Muhannad Tower (7 units)	1,443,159	1,410,483
Hoora Building 91700	6,498,674	6,368,700
Hoora Building 92072	6,498,674	6,368,700
Seef Star Building	2,984,085	3,416,449
Burhama Land	9,071,618	8,063,660
	<u>26,496,210</u>	<u>25,627,992</u>

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The movement of investments property is as follows:

	<u>2017</u>	<u>2016</u>
	US\$	US\$
At January 1,	25,627,992	24,265,592
Write back of provision for impairment, net (as previously stated)	-	1,033,488
Change in fair value	<u>868,218</u>	<u>328,912</u>
Balance at December 31,	<u>26,496,210</u>	<u>25,627,992</u>

The fair value of investments property is determined based on valuations performed by independent valuation experts as at December 31. Investment property is categorised under level 3 in the fair value hierarchy. The basis of valuation of the investment property was as follows:

Investment property

Al Muhannad Tower (7 units)
Hooraa Building 91700
Hooraa Building 92072
Seef Star Building
Burhama Land

Basis of Valuation

The comparable approach
The investment approach
The investment approach
The investment approach
The comparable approach

9. OTHER ASSETS

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Disputed dividends receivable (Note 7)	887,733	887,733
Prepaid expenses	12,757	44,476
Regulatory deposit with the CBB	-	13,263
Other receivables	372,267	3,404
Refundable deposit	<u>557</u>	<u>557</u>
	<u>1,273,314</u>	<u>949,433</u>

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10. FIXED ASSETS

	Motor Vehicles US\$	Office equipment & furniture US\$	Fixtures US\$	Total US\$
Cost:				
At December 31, 2015	21,292	808,924	1,411,672	2,241,888
Additions	-	6,068	-	6,068
At December 31, 2016	21,292	814,992	1,411,672	2,247,956
Additions	-	5,305	-	5,305
At December 31, 2017	21,292	820,297	1,411,672	2,253,261
Accumulated Depreciation:				
At December 31, 2015	11,002	802,621	1,386,915	2,200,538
Charge for the year	4,258	5,658	12,676	22,592
At December 31, 2016	15,260	808,279	1,399,591	2,223,130
Charge for the year	4,258	4,490	10,926	19,674
At December 31, 2017	19,518	812,769	1,410,517	2,242,804
Net carrying values:				
At December 31, 2017	1,774	7,528	1,155	10,457
At December 31, 2016	6,032	6,713	12,081	24,826

11. MURABAHA PAYABLE

In 2004, a related party entered into a Murabaha financing agreement with a financial institution against the pledge of 18,840,341 equity shares, of which 8,352,705 owned by the Company with a carrying value at that time of US\$ 5,760,487, and the remaining 10,487,636 shares owned by the borrowing related party and another related party.

Also on November 1, 2004 the Company obtained from the above related party a one year financing totalling US\$ 3,229,064 including financing cost of US\$ 134,295 by virtue of a Murabaha contract.

Following the default of the related party, the case was brought to Court, which ruled in favour of the financial institution and ordered the settlement of the outstanding balance of BD 2,236,191 (US\$ 5,931,541) in addition to annual profit of 3% effective April 2011 and settlement of legal costs.

As no settlement was made by any of the parties that had pledged the shares in guarantee of the financing agreement as stated above, the Court appointed in 2013 a broker to auction all the 18,840,341 pledged shares in one bulk. A number of unsuccessful auctions were held at varying starting prices.

In recognition of the Company's liability, the Board of Directors had decided to write down to zero the value of its 8,352,705 pledged shares and had valued the remaining same shares (2,912,950 shares) in its portfolio at BD 0.100 (US\$ 0.2652) per share, being the lowest bidding price up to the 2014 year end. In April 2015, the 8,352,705 shares were liquidated at an auction price of BD 0.100 per share and the amount was directly awarded to the party to whom the shares were pledged to with no gain or loss being recognised by the Company.

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Subsequent to the year end, on January 20, 2018, the Board of Directors resolved to accept an offer from the related party to settle the Murabaha payable at a 10% discount. Accordingly, the Board of Directors approved the following settlement plan to pay the discounted balance amounting to US\$ 2,906,158 as follow:

- 50% of the balance amounting to US\$ 1,453,078 was settled by January 22, 2018;
- 50% of the remaining balance amounting to US\$ 1,453,078 was approved to be paid over 55 monthly installments (US\$ 26,420.60 each) starting from March 2018.

The above was considered as a non-adjusting subsequent event and hence no adjustments were made to the year end amounts.

12. OTHER LIABILITIES

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Accrued expenses	63,252	124,676
Unearned rental income	28,805	32,627
Charity payable	17,513	17,513
Others	9,504	9,862
	<u>119,074</u>	<u>184,678</u>

13. SHARE CAPITAL AND STATUTORY RESERVE

(i) Share capital

	<u>2017</u>	<u>2016</u>
	US\$	US\$
<u>Authorised:</u>		
Number of shares	303,030,303	303,030,303
Price per share	0.33	0.33
	<u>100,000,000</u>	<u>100,000,000</u>
<u>Issued and fully paid up</u>		
Number of shares	121,212,121	242,424,242
Price per share	0.33	0.33
	<u>40,000,000</u>	<u>80,000,000</u>

During the year, the Shareholders resolved through an Extra-ordinary General meeting held on May 11, 2017 to reduce the Company's paid share capital from US\$ 80 million distributed over 242,424,242 shares to US\$ 40 million distributed over 121,212,121 shares, in order to extinguish part of the accumulated losses. In addition, the Shareholders resolved to fully extinguish the statutory reserve amounting to US\$ 8,027,709 as at December 31, 2016.

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(ii) *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 transferred to the statutory reserve until such time the reserve reaches 50% of the Company's paid-up share capital. This reserve is not available for distribution, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and other applicable statutory regulations.

14. INVESTMENTS FAIR VALUE RESERVE

The movement of the investments fair value reserve is as follows:

	<u>2017</u>	<u>2016</u>
	US\$	US\$
<u>Fair value reserve as at January 1</u>		
Bahrain Family Leisure Co.	-	-
Bahrain Islamic Bank	576,475	909,705
First Takaful Insurance Co.	<u>7,317</u>	<u>-</u>
	<u>583,792</u>	<u>909,705</u>
 <u>Fair value gain / (loss) during the year (Note 6)</u>		
Bahrain Family Leisure Co.	27,851	-
Bahrain Islamic Bank	333,231	(333,230)
First Takaful Insurance Co.	14,490	7,317
International Investment Group	<u>3,578</u>	<u>-</u>
	<u>379,150</u>	<u>(325,913)</u>
 Fair value reserve as at December 31	<u>962,942</u>	<u>583,792</u>

15. OTHER INCOME, NET

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Dividend income	6,620	44,830
Income from commodity murabaha contract	16,836	1,256
Foreign exchange gain / (loss)	<u>3,911</u>	<u>(1,149)</u>
	<u>27,367</u>	<u>44,937</u>

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16. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Consultancy and legal expenses	146,709	127,222
Electricity and municipality	88,271	87,972
Maintenance	62,538	54,370
Other professional fees	64,058	55,901
Directors remuneration	60,000	-
Office service and cleaning	40,037	35,395
Insurance	18,591	18,489
License and registration	1,485	34,616
Board of Directors and committees meeting expenses and attendance fees (Note 20)	41,151	51,201
Shari'a Supervisory Board remuneration, meeting expenses and attendance fees (Note 20)	4,947	(274)
Advertising and promotion	120	4,144
Staff related claims	-	19,606
Communication	4,641	9,176
Business development	11,315	16,591
Others	7,461	26,824
	<u>551,324</u>	<u>541,233</u>
Penalties imposed by the CBB	-	23,210
	<u>551,324</u>	<u>564,443</u>

17. WRITE-BACK OF IMPAIRMENT OF FINANCIAL ASSETS:

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Write-back from the settlement with International Investment Group (IIG) - (a)	9,339,392	-
Write-back from the settlement with Grand Real Estate Projects Co. - (b)	984,074	-
	<u>10,323,466</u>	<u>-</u>

- a) During 2017, the Board of Directors resolved to accept a settlement with International Investment Group (IIG) in which all the receivables amount from IIG, which were previously fully provided for, has been extinguished in return for the increase in the share capital of IIG of which all the new shares has been registered in name of Company. The fair value of the shares received is equivalent to US\$ 9,339,392 (Note 6) based on the valuation performed by an independent valuer.

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b) On June 9, 2016, the Company reached into an agreement with Grand Real Estate Projects Co. to settle all the receivables and payables to and from each other. Accordingly, both parties agreed on the following:

- Grand Real Estate Projects Co. will pay the Company an amount of KWD 900,000;
- Grand Real Estate Projects Co. will pay 30% of the selling value of a property sold amounting to AED 3,905,714 after deducting all collections fees, governmental fees, repair and maintenance and legal fees.

Upon settling the above, the balances in both companies' record will be cleared to zero.

As at year end December 31, 2017, the Company received only KWD 300,000 (US\$ 984,074) from the above agreement.

18. ASSETS IN LEGAL CUSTODY

The carrying values of assets in custody as at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Equity investments (Notes 6(a) & 7)	2,646,247	2,313,016
Dividends receivable (Notes 7 & 9)	<u>887,733</u>	<u>887,733</u>
	<u>3,533,980</u>	<u>3,200,749</u>

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19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial instruments recognized in the financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that their carrying amounts are reasonable approximations of their fair value:

	December 31, 2017		
	Fair value		
	Carrying amount US\$	Level 1 US\$	Level 3 US\$
			Fair value basis for Level 3
Financial assets measured at fair value			
At fair value through profit or loss			
Equities – Quoted	184,642	184,642	-
Equities – Unquoted	2,600,000	-	2,600,000
			Adjusted net asset value of investee
Available-for-sale investments			
Equities – Quoted	3,463,109	3,463,109	-
Equities – Unquoted	128,658	-	128,658
Equities – Unquoted	9,342,970	-	9,342,970
			Net asset value of investee
			Adjusted net asset value of investee
	15,719,379	3,647,751	12,071,628

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19. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

		December 31, 2016	
		<u>Fair value</u>	
	Carrying amount US\$	Level 1 US\$	Level 3 US\$
Financial assets measured at fair value			
At fair value through profit or loss			
Equities – Quoted	179,742	179,742	-
Equities – Unquoted	2,600,000	-	2,600,000
			Adjusted net asset value of investee
Available-for-sale investments			
Equities – Quoted	3,087,537	3,087,537	-
Equities – Unquoted	128,658	-	128,658
	5,995,937	3,267,279	2,728,658
			Net asset value of investee

The movement in Level 3 during the year is as follows:

	2017 US\$	2016 US\$
Balance January 1	2,728,658	128,658
Net unrealized gain – in profit or loss	-	2,600,000
Net unrealized gain – in other comprehensive income	3,578	-
Purchase	<u>9,339,392</u>	<u>-</u>
Balance December 31	<u>12,071,628</u>	<u>2,728,658</u>

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20. RELATED PARTY TRANSACTIONS AND BALANCES

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

Transactions with related parties are undertaken on terms agreed between the parties which may not necessarily be on arms length basis.

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	December 31, 2017					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
ASSETS						
Equity investments at fair value through profit or loss						
- Grand Real Estate Projects Co.	-	-	-	15,802,165	(13,202,165)	2,600,000
						2,600,000
Available-for-sale investments						
- International Investment Group (IIG)	13,165,015	(3,822,045)	9,342,970	-	-	9,342,970
- Gulf Monetary Group (GMG)	96,250	(96,250)	-	-	-	-
- Managed Portfolio (GMG Shares)	203,562	(203,562)	-	-	-	-
- Takaful International, Bahrain	-	-	-	1,373,822	(717,057)	656,765
- Takaful International, Kuwait	-	-	-	715,434	(586,776)	128,658
- International Projects Consultancy Co.	-	-	-	45,579	(45,579)	-
						-
Deferred payment sale receivables						
- Gulf Monetary Group	3,680,203	-	3,680,203	-	-	3,680,203

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	December 31, 2017					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
						Total US\$
Others (Rent Receivable)						
- Grand Real Estate Projects Co.	-	-	-	-	-	-
LIABILITIES:						
- Murabaha payables						
- International Investment Group	3,229,064	-	3,229,064	-	-	3,229,064
- Other liabilities						
- Takaful International, Bahrain	-	-	-	1,420	-	1,420
- Key Management Personnel	-	-	-	14,967	-	14,967
Off-balance sheet items:						
Equity of investment accountholders:						
- Investments in IIG on behalf of GMG	5,670,202	(5,670,202)	-	-	-	-
- GMG shares managed by the Company on behalf of GMG, IIG and Investors Holding	10,452,776	(10,452,776)	-	-	-	-

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	December 31, 2016					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
ASSETS						
Equity investments at fair value through profit or loss						
- Grand Real Estate Projects Co.	-	-	-	15,802,165	(13,202,165)	2,600,000
Available-for-sale investments						
- International Investment Group (IIG)	7,364	(7,364)	-	-	-	-
- Gulf Monetary Group (GMG)	96,250	(96,250)	-	-	-	-
- Managed Portfolio (GMG Shares)	203,562	(203,562)	-	-	-	-
- Takaful International, Bahrain	-	-	-	5,313,170	(4,656,405)	656,765
- Takaful International, Kuwait	-	-	-	715,434	(586,776)	128,658
- International Projects Consultancy Co.	-	-	-	45,579	(45,579)	-
Deferred payment sale receivables						
- Gulf Monetary Group	3,680,203	-	3,680,203	-	-	-
						3,680,203

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	December 31, 2016					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
Other assets						
Receivable from sale of investments:						
- Gulf Monetary Group	5,974,754	(5,974,754)	-	-	-	-
- International Investment Group	10,811,971	(10,811,971)	-	-	-	-
Receivable from Mudarib:						
- International Investment Group	4,464,281	(4,464,281)	-	-	-	-
Dividend receivable:						
- International Investment Group	778,343	(778,343)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	931,034	(931,034)	-
Current account:						
- Gulf Monetary Group	150,371	(150,371)	-	-	-	-
- International Investment Group	33,507	(33,507)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	8,861,745	(8,861,745)	-
Advance for investment:						
- Josor Capital	-	-	-	408,536	(408,536)	-
Total						

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	December 31, 2016					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$

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The income and expenses with related parties included in the financial statements are as follows:

	December 31, 2017		
	Shareholders	Others	Total
	Net US\$	Net US\$	US\$
Write-back of impairment of financial assets:			
- International Investment Group	9,339,392	-	9,339,392
- Grand Real Estate Projects Co.	-	984,074	984,074
Expenses:			
BOD and Board Committees meeting expenses and attendance allowance	-	41,151	41,151
BOD remuneration	-	60,000	60,000
Shari'a Supervisory Board Remuneration, meeting expenses and attendance allowances	-	4,947	4,947
Key Management Benefits:			
Salaries and other short term benefits	-	38,904	38,904

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	December 31, 2016		
	Shareholders	Others	Total
	Net US\$	Net US\$	US\$
Fair value gain / (loss) on investment at FVTPL:			
- Grand Real Estate Projects Co.	-	2,600,000	2,600,000
Other income:			
- Dividend income / Takaful International, Bahrain	-	38,633	38,633
Expenses:			
Provision for impairment			
- Takaful International, Bahrain	-	38,633	38,633
BOD and Board Committees meeting expenses and attendance allowance	-	51,201	51,201
Shari'a Supervisory Board Remuneration, meeting expenses and attendance allowances *	-	(274)	(274)
Key Management Benefits:			
Salaries and other short term benefits	-	31,830	31,830

* The amount represents the reversal of the Sharia'a remuneration due to the appointment of a new Sharia'a Supervisory Board at a lower remuneration.

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21. RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk and market risk along with other operational risks. The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established an Executive Committee, which is responsible for developing and monitoring the Company's operations and policies across various functions including the risk management policies.

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

Credit risk

Credit risk is the risk that a counterparty to a financial transaction does not discharge its obligations on due dates and causes the other party to incur a financial loss.

The Company's credit risk arises mainly from balances with banks, due from a financial institution, deferred payment sale receivables and other assets. The Company manages its credit risk on bank balances by placing funds with reputable banks having good credit ratings.

The Company's maximum exposure to credit risk at December 31, was as follows:

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Balances with banks	2,201,400	514,762
Deferred payment sale receivable	3,680,203	3,680,203
Other assets	<u>1,260,557</u>	<u>891,694</u>
	<u>7,142,160</u>	<u>5,086,659</u>

Analysis of the Company's exposure to credit risk:

	December 31, 2017				
	Balances with banks and financial institution US\$	Receivables from sale of investments US\$	Deferred payment sale receivable US\$	Other financial assets US\$	Total US\$
Neither past due nor impaired	2,201,400	-	-	5,504	2,206,904
Past due but not impaired	-	-	3,680,203	1,255,053	4,935,256
Individually impaired					
Gross amount	-	5,974,754	-	10,433,609	16,408,363
Provision for impairment	-	(5,974,754)	-	(10,433,609)	(16,408,363)
	<u>2,201,400</u>	<u>-</u>	<u>3,680,203</u>	<u>1,260,557</u>	<u>7,142,160</u>

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	December 31, 2016				
	Balances with banks and financial institution US\$	Receivables from sale of investments US\$	Deferred payment sale receivable US\$	Other financial assets US\$	Total US\$
Neither past due nor impaired	514,762	-	-	3,961	518,723
Past due but not impaired	-	-	3,680,203	887,733	4,567,936
Individually impaired					
Gross amount	-	16,786,726	-	16,693,813	33,480,539
Provision for impairment	-	(16,786,726)	-	(16,693,813)	(33,480,539)
	514,762	-	3,680,203	891,694	5,086,659

Credit quality per class of financial assets

The table below analyses the Company's maximum credit exposure where the credit quality is reflected by external credit ratings (S&P, Moody's and Fitch) of the counterparties where relevant:

	Balances with banks and financial institution US\$	Deferred payment sale receivable US\$	Other financial assets US\$	Total US\$
2017				
Non-investment / speculative: BB – B	180,873	-	-	180,873
Unrated	2,020,527	3,680,203	1,260,557	6,961,287
	2,201,400	3,680,203	1,260,557	7,142,160
2016				
Non-investment / speculative: BB – B	500,578	-	-	500,578
Unrated	14,184	3,680,203	891,694	4,586,081
	514,762	3,680,203	891,694	5,086,659

Concentration Risk

Concentration risk is the risk of insufficient diversification of the portfolio resulting in an adverse impact of an external event on portfolio constituents sensitive to similar risk factors. Concentration risk primarily arises due to name and sector concentration.

The Company's financial assets with credit risk can be analysed by the following industry sector:

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	Banks and financial institution US\$	Investment companies US\$	Others US\$	Total US\$
2017				
Balances with banks	2,201,400	-	-	2,201,400
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Other assets	887,733	-	372,824	1,260,557
	<u>3,089,133</u>	<u>3,680,203</u>	<u>372,824</u>	<u>7,142,160</u>
2016				
Balances with banks	514,762	-	-	514,762
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Other assets	887,733	-	3,961	891,694
	<u>1,402,495</u>	<u>3,680,203</u>	<u>3,961</u>	<u>5,086,659</u>

Geographical concentration

Assets and liabilities of the Company as at December 31, 2017 and December 31, 2016 are primarily concentrated in the Middle East region.

Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to meet liabilities as they fall due. It is the Company's policy to keep a significant part of its assets in the form of liquid assets such as balances with banks, due from a financial institution, investments at fair value through profit or loss and investments at fair value through equity.

The tables below summarises the maturity profile of the Company's assets and liabilities based on expected periods to cash conversion from the reporting date:

	<u>2017</u>						
	Upto 1 month	1 to 3 months	3 months to 1 year	Total within 1 year	1 to 3 years	No fixed maturity	Total
<u>Assets</u>							
Cash and balances with banks	2,202,726	-	-	2,202,726	-	-	2,202,726
Equity investments	-	-	2,784,642	2,784,642	-	12,934,737	15,719,379
Deferred payment sale receivable	3,680,203	-	-	3,680,203	-	-	3,680,203
Investments property	-	-	-	-	-	26,496,210	26,496,210
Other assets	-	111,048	273,976	385,024	-	888,290	1,273,314
Fixed assets	-	-	-	-	-	10,457	10,457
Total assets	<u>5,882,929</u>	<u>111,048</u>	<u>3,058,618</u>	<u>9,052,595</u>	<u>-</u>	<u>40,329,694</u>	<u>49,382,289</u>

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2017							
	Upto 1 month	1 to 3 months	3 months to 1 year	Total within 1 year	1 to 3 years	No fixed maturity	Total
<u>Liabilities</u>							
Due to a financial institution	3,670,202	-	-	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064	-	-	3,229,064
Other liabilities	26,778	43,055	31,728	101,561	-	17,513	119,074
Total liabilities	6,926,044	43,055	31,728	7,000,827	-	17,513	7,018,340
Net	(1,043,115)	67,993	3,026,890	2,051,768	-	40,312,181	42,363,949
2016							
	Upto 1 month	1 to 3 months	3 months to 1 year	Total within 1 year	1 to 3 years	No fixed maturity	Total
<u>Assets</u>							
Cash and balances with banks	516,088	-	-	516,088	-	-	516,088
Equity investments	-	-	2,779,742	2,779,742	-	3,216,195	5,995,937
Deferred payment sale receivable	3,680,203	-	-	3,680,203	-	-	3,680,203
Investments property	-	-	-	-	-	25,627,992	25,627,992
Other assets	-	3,404	44,476	47,880	-	901,553	949,433
Fixed assets	-	-	-	-	-	24,826	24,826
Total assets	4,196,291	3,404	2,824,218	7,023,913	-	29,770,566	36,794,479
<u>Liabilities</u>							
Due to a financial institution	3,670,202	-	-	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064	-	-	3,229,064
Other liabilities	53,739	38,667	74,759	167,165	-	17,513	184,678
Total liabilities	6,953,005	38,667	74,759	7,066,431	-	17,513	7,083,944
Net	(2,756,714)	(35,263)	2,749,459	(42,518)	-	29,753,053	29,710,535

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Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has the following significant exposure in a foreign currency at the date of statement of financial position:

	2017		
	Assets US\$	Liabilities US\$	Total US\$
Kuwaiti Dinar	12,161,966	-	12,161,966

	2016		
	Assets US\$	Liabilities US\$	Total US\$
Kuwaiti Dinar	2,804,502	-	2,804,502

Sensitivity Analysis:

The following table demonstrate the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constant, of the Company's profit or loss for balances as of December 31:

	Change in rate	Effect on profit the year	
		2017 US\$	2016 US\$
Kuwaiti Dinar	5%	608,098	140,225

The decrease in rate will have an opposite impact on net income.

Equity price risk

Equity price risk is the risk that Company's quoted equity investments will depreciate in value due to movements in the quoted equity prices. The Company has listed equity investments classified at fair value through profit or loss and investments at fair value through equity. The price movement of these exposures are monitored by the Company on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in equity prices, with all other variables held constant, of the Company's profit or loss or equity based on the position as of December 31:

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	Change in rate	Effect on profit for the year / equity	
		2017 US\$	2016 US\$
Particulars			
Investments at fair value through profit or loss	20%	36,928	35,948
Available-for-sale investments	20%	692,622	617,507

The decrease in rate will have an opposite impact on profit / equity.

Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events which includes but is not limited to legal risk and Shari'a compliance risk. This definition excludes strategic and reputational risk.

22. OFF-BALANCE SHEET INVESTMENT ACCOUNT HOLDERS

	2017 and 2016		
	No. of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd	N/A	-	-
Investments in International Investment Group K.S.C.C. (note b below)	12,887	-	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	142,059	-	-
			-

- Off-balance sheet investment accounts represent amounts received from and transactions entered on behalf of related parties.
- On the instructions of an off-balance sheet investment account holder, a related party, the Company has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ("IIG"). The Company then entered into a deferred payment sale agreement with the off-balance sheet investment account holder for sale of these shares. However, due to a legal dispute with the financial institution, the Company could not effect the transfer of the IIG shares to the off-balance sheet investment account holder (note 7). The Company's Board of Directors had resolved to write down the value of these shares to zero in the latter part of 2013 based on the performance of these shares and / or the lack of information to support the carrying value of these shares.

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23. SHARI'A SUPERVISORY BOARD

The Company's Shari'a Supervisory Board consists of three scholars who review the Company's compliance with general Shari'a principles and specific fatwa's, rulings and guidelines issued. Their review includes examination of the documentation and procedures adopted by the Company to ensure that its activities are conducted in accordance with Shari'a principles.

24. SOCIAL RESPONSIBILITY

The Company discharges its social responsibilities through donations to charitable causes and organisations.

25. CONTINGENT LIABILITIES

Various parties have filed legal actions against the Company with varying claims and associated legal costs. The outcome of the remaining actions cannot be presently determined. Accordingly the Company has not made any provisions.

26. RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS ON FIRST-TIME ADOPTION OF IFRSs

For all years up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

The investment property was accounted for under FAS 26: Investment in Real Estate. As per the standard, the gains arising from changes in the fair values were recognized in the "properties fair value reserve" in the statement of changes in owners' equity.

These financial statements for the year ended December 31, 2017 are the first the Company has prepared in accordance with IFRS. As per the IAS 40 (Investment Property), the gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises. Accordingly, the management restated the comparative figures to reflect the accounting treatment as per IAS 40.

The summary of the restated figures is as follow:

	2016	
	December 31	December 31
	US\$	US\$
	Previously reported amount	Restated
<u>Statement of financial position:</u>		
Properties fair value reserve	986,388	-
Beginning balance of accumulated losses	(64,083,959)	(63,426,483)
<u>Statement of comprehensive income items:</u>		
Fair value gain on investment property	-	328,912

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27. **APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorised for issue in accordance with a resolution of the Company's Board of Directors on April 22, 2018.