

Inovent B.S.C.

**SHARI'A SUPERVISORY BOARD REPORT
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2018 (REVIEWED)

Inovest B.S.C.

Administration and contact details as at 30 September 2018

Commercial registration number

48848 obtained on 18 June 2002

Board of Directors

Dr.Omar Salem Al Mutawa	- Chairman
Bashar Naser Al Tuwaijri	- Vice-Chairman
Meshari Fuad Al Fozan	- Director
Khaled Abdulaziz Al Ghanem	- Director
Meshal Yousef Al Zayed	- Director
Yaqoub Yousef Bandar	- Director
Abdulrahman Hesham Al Neseif	- Director

Acting Chief Executive Officer

Yaser Hamad Al-jar

Board Secretary

Riyadh Mahmood Mulla

Sharia'a Supervisory Board

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

Corporate Governance Committee members

Bashar Naser Al Tuwaijri	- Chairman
Abdulrahman Hesham Al Neseif	- Vice-Chairman
Meshari Fuad Al Fozan	- Member
Sheikh Dawoud Salman Bin Essa	- Member

Nomination and Remuneration Committee members

Dr.Omar Salem Al Mutawa	- Chairman
Meshal Yousef Al Zayed	- Vice-Chairman
Meshari Fuad Al Fozan	- Member

Audit and Risk Committee members

Khaled Abdulaziz Al Ghanem	- Chairman
Abdulrahman Hesham Al Neseif	- Vice-Chairman
Yaqoub Yousef Bandar	- Member

Inovest B.S.C.

Administration and contact details as at 30 September 2018

Registered office

19th floor, East Tower
Bahrain Financial Harbour
P.O. Box 18334
Manama
Kingdom of Bahrain
Telephone no. +973 1715 5777

Bankers

Bahrain Islamic Bank B.S.C.
Ithmaar Bank B.S.C.
Kuwait Finance House (Bahrain) B.S.C. (c)
Kuwait Finance House (Kuwait) K.S.C.P.
Boubyan Bank (Kuwait)
Khaleeji Commercial Bank B.S.C.
Al Baraka Islamic Bank B.S.C. (c)
Al Salam Bank, Bahrain B.S.C.

Auditors

Ernst & Young (EY)
P.O. Box 140
10th Floor,
Bahrain World Trade Center
Manama, Kingdom of Bahrain

Registrars

Karvy Computershare W.L.L.
Al Zamil Tower, Manama Centre
P.O. Box 514
Manama
Kingdom of Bahrain

Kuwait Clearing Company S.A.K.
P.O. Box 22077
Safat 13081
State of Kuwait

In the name of Allah, The Beneficent, The Merciful

**Sharia Supervisory Board Report on the activities of INOVEST Company B.S.C
For the Nine Months Period Ended on 31 September 2018**

All praise is due to Allah , Lord of the worlds, Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

To the Shareholders of INOVEST B.S.C "the Company".

Acting as Sharia Supervisory Board "SSB" pursuant to the appointment resolution passed by the General Assembly of the Company and SSB meeting on Saturday dated 20/10/ 2018 in State of Kuwait, we are required to provide the following report:

The SSB has reviewed the Company's principles, contracts related transactions, and applications submitted by the Company's management For the Nine Months Period Ended on 31 September 2018, and based on the Sharia auditor presentation of the Company's activities for the abovementioned period, and comparing it with the fatwa and rulings issued.

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

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

In our opinion:

The contracts and transactions concluded by the Company during the Nine Months Period Ended on 31 September 2018 that we have reviewed are in compliance with the Islamic Shari'a Rules and Principles.

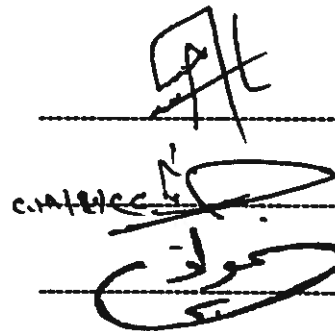
Also, the SSB has approved the financial statements and concluded that it's prepared in an acceptable form from Islamic Sharia view. The respective report has been prepared based on the information provided by the Company.

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

Shaikh Dr. Khalid Shuja'a Al-Otaibi
Chairman

Shaikh Dawoud Salman Bin Essa
Vice-Chairman

Shaikh Dr. Murad Bou Daia
Member



The image shows three handwritten signatures in black ink, each placed above a horizontal dashed line. The top signature is in Arabic script and appears to be 'Khalid Shuja'a Al-Otaibi'. The middle signature is also in Arabic script and appears to be 'Dawoud Salman Bin Essa'. The bottom signature is in Arabic script and appears to be 'Murad Bou Daia'.



Ernst & Young Middle East
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977

REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INOVEST B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Inovent B.S.C. (the "Company") and its subsidiaries (together the "Group") as of 30 September 2018, and the related interim consolidated statements of income, changes in owners' equity, cash flows and sources and uses of charity fund for the nine-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.

1 November 2018
Manama, Kingdom of Bahrain

Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 (Reviewed)

		<i>Reviewed</i> 30 September <i>2018</i> US\$ '000	<i>Audited</i> 31 December <i>2017</i> US\$ '000
	<i>Note</i>		
ASSETS			
Cash and bank balances	5	30,384	21,740
Accounts receivable	6	44,378	45,383
Investments	7	16,201	18,487
Investment in a joint venture and associates	8	91,029	85,938
Investment in real estate	9	76,823	76,823
Property, plant and equipment	10	11,496	12,965
Other assets	11	2,249	4,018
TOTAL ASSETS		272,560	265,354
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	12	99,025	102,256
Financing from a bank	13	10,172	12,927
Total liabilities		109,197	115,183
Owners' Equity			
Share capital		114,604	114,604
Less: Treasury shares	14	(1,239)	(1,239)
		113,365	113,365
Reserves		1,957	1,999
Retained earnings		19,509	7,036
Equity attributable to Parents' shareholders		134,831	122,400
Non-controlling interest		28,532	27,771
Total owners' equity		163,363	150,171
TOTAL LIABILITIES AND OWNERS' EQUITY		272,560	265,354



Dr. Omar Salem Al Mutawa
Chairman



Yaser Hamad Al-Jar
Acting CEO


The attached explanatory notes 1 to 24 form part of these interim condensed consolidated financial statements.

Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2018 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
OPERATING INCOME					
Net income from construction contracts		3,049	2,308	8,909	8,085
Income from investment in real estate	15	1,398	1,460	4,063	3,259
Income from investments	16	49	44	5,083	4,251
Fee for management and other services		131	226	672	676
Net share of (loss) / income from investment in a joint venture and associates	8	(114)	(213)	(1,187)	356
Other income	17	108	149	1,979	1,008
TOTAL OPERATING INCOME		4,621	3,974	19,519	17,635
OPERATING EXPENSES					
Staff costs		1,040	994	3,294	3,404
General and administrative expenses		596	665	1,766	2,291
Property related expenses		489	416	1,434	514
Financing costs		175	280	544	699
Depreciation	10	223	118	559	340
TOTAL OPERATING EXPENSES		2,523	2,473	7,597	7,248
NET OPERATING PROFIT		2,098	1,501	11,922	10,387
Recoveries from impaired receivables	18	286	412	1,146	8,784
PROFIT FOR THE PERIOD		2,384	1,913	13,068	19,171
Attributable to :					
Equity shareholders of the parent		2,141	1,637	12,307	18,904
Non-controlling interest		243	276	761	267
PROFIT FOR THE PERIOD		2,384	1,913	13,068	19,171
BASIC AND DILUTED EARNINGS					
PER SHARE (US cents)	20	0.76	0.58	4.35	6.64



Dr. Omar Salem Al Mutawa
Chairman



Yaser Hamad Al-Jar
Acting CEO

The attached explanatory notes 1 to 24 form part of these interim condensed consolidated financial statements.

Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine month period ended 30 September 2018 (Reviewed)

	Equity attributable to Parent's shareholders							Total owners' equity US\$ '000
	Share capital US\$ '000	Treasury shares US\$ '000	Reserves		Retained earnings US\$ '000	Total equity US\$ '000	Non-controlling interest US\$ '000	
			Statutory reserve US\$ '000	Share option reserve US\$ '000				
At 1 January 2018	114,604	(1,239)	1,957	42	7,036	122,400	27,771	150,171
Transfer of treasury shares	-	-	-	(42)	166	124	-	124
Profit for the period	-	-	-	-	12,307	12,307	761	13,068
At 30 September 2018	114,604	(1,239)	1,957	-	19,509	134,831	28,532	163,363
At 1 January 2017	114,604	(651)	1,371	42	9,118	124,484	13,640	138,124
Reversal of appropriation to charity funds	-	-	-	-	626	626	-	626
Dividend paid (note 19)	-	-	-	-	(7,977)	(7,977)	-	(7,977)
Purchase of treasury shares	-	(132)	-	-	-	(132)	-	(132)
Acquisition of a subsidiary (note 4)	-	-	-	-	-	-	13,934	13,934
Profit for the period	-	-	-	-	18,904	18,904	267	19,171
At 30 September 2017	114,604	(783)	1,371	42	20,671	135,905	27,841	163,746

The attached explanatory notes 1 to 24 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2018 (Reviewed)

	Note	Nine months ended 30 September	
		2018	2017
		US\$ '000	US\$ '000
OPERATING ACTIVITIES			
Profit for the period		13,068	19,171
Adjustments for:			
Depreciation	10	1,543	1,391
Net share of loss / (income) from investment in a joint venture and associates	8	1,187	(356)
Realised gain on sale of investments		-	(500)
Gain on sale of investment in real estate	15	-	(1,078)
Gain on bargain purchase - associate		-	(3,135)
Gain on bargain purchase - subsidiary		-	(44)
Fair value gain on transfer of investment to investment in a joint venture and associates		-	(252)
Recoveries from impaired receivables	18	(1,146)	(8,784)
		14,652	6,413
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		158	(298)
Accounts receivable		(2,046)	(11,502)
Other assets		1,769	1,925
Accounts payable		(3,273)	(1,436)
Net cash from/(used in) operating activities		11,260	(4,898)
INVESTING ACTIVITIES			
Proceeds from sale of investment in real estate		-	5,005
Acquisition of a subsidiary, net of cash acquired	4	-	4,217
Purchase of property, plant and equipment	10	(74)	(974)
Purchase of investment in a joint venture and associates		-	(5,029)
Sale of investment in a joint venture and associates	8	371	-
Proceeds from sale of investments		-	500
Proceeds from sale of property, plant and equipment		-	74
Net cash from investing activities		297	3,793
FINANCING ACTIVITIES			
Net movement in financing from a bank		(2,755)	(1,748)
Dividend paid		-	(7,977)
Purchase of treasury shares		-	(45)
Net cash used in financing activities		(2,755)	(9,770)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		8,802	(562)
Cash and cash equivalents at the beginning of the period	5	21,540	32,617
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	30,342	32,055
Non cash transactions:			
Purchase of investment in a joint venture and associates		6,649	-
Purchase of investments		2,286	-
Liquidation of a subsidiary		166	-
Transfer of treasury shares		42	-
Investment in real estate acquired against accounts receivable		-	5,199
Transfer from investment in a joint venture and associates to a subsidiary		-	17,785

The attached explanatory notes 1 to 24 form part of these interim condensed consolidated financial statements.

Inovent B.S.C.

INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND

For the nine month period ended 30 September 2018 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Sources of charity funds				
Undistributed charity funds at the beginning of the period	-	626	-	626
Reversal of appropriation to charity funds	-	(626)	-	(626)
Undistributed charity funds at end of period	-	-	-	-

The attached explanatory notes 1 to 24 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

1 INCORPORATION AND ACTIVITIES

a) Incorporation

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

b) Activities

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

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

The number of staff employed by the Group as at 30 September 2018 was 644 employee (31 December 2017: 768 employee).

The interim condensed consolidated financial statements for the nine months ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of Directors dated 1 November 2018.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2018 have been prepared in accordance with the guidance given by International Accounting Standard 34 - *Interim Financial Reporting*. The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. These interim condensed consolidated financial statements are presented in US Dollars, which is the functional currency of the Group. All values are rounded to US Dollar thousands unless otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

2 ACCOUNTING POLICIES (continued)**2.2 Statement of compliance**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 which were prepared in accordance with the Financial Accounting Standards ("FAS") issued by 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 Company, the Bahrain Commercial Companies Law, Central Bank of Bahrain ("CBB") and the Financial Institutions Law and the CBB Rule Book (Volume 4). In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, including interim financial reporting, the Group uses the relevant International Financial Reporting Standards ("IFRS").

2.3 Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany balances and transactions are eliminated in full on consolidation.

The following are the principle subsidiaries of the Company, which are consolidated in these interim condensed consolidated financial statements:

<i>Name of the subsidiary</i>	<i>Ownership 2018</i>	<i>Ownership 2017</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Activity</i>
Held directly by the Company					
Al Khaleej Development Co. B.S.C. (c)*	99.98%	99.98%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties.
Tameer for Private Management W.L.L.* (liquidated on 30 June 2018)	-	99.00%	Kingdom of Bahrain	2004	Holds Group's shares on behalf of its employees in respect of the employees' share option plan.

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

Held indirectly by the Company					
Bahrain Investment Wharf B.S.C. (c)*	99.00%	99.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial centres, residential buildings and property.
Circo Total Facility Management Co. W.L.L.*	99.00%	99.00%	Kingdom of Bahrain	2005	Management and maintenance of properties.
Tamcon Contracting Co. B.S.C. (c)*	99.00%	99.00%	Kingdom of Bahrain	2007	Contracting activities.
Dannat Resort Development Company Limited	67.57%	67.57%	Cayman Islands	2008	Managing and Development of Real Estate Projects.
Tamcon Trading S.P.C.	100.00%	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its spare parts and sale of building materials.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

2 ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Held indirectly by the Company (continued)

<i>Name of the subsidiary</i>	<i>Ownership 2018</i>	<i>Ownership 2017</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Activity</i>
Eresco Tamcon JV B.S.C. (c)**	100.00%	100.00%	Kingdom of Bahrain	2014	Construction and maintenance of villas.
Panora Interiors S.P.C.	100.00%	100.00%	Kingdom of Bahrain	2015	Carpentry and joinery works.
BIW Labor Accomodation Co W.L.L. (note 4)	56.67%	56.67%	Kingdom of Bahrain	2007	Buying, selling and management of properties.

* The interim condensed 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 Group.

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

During 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 ERESKO 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 ERESKO and 125,000 shares are held by Tamcon i.e. 50% as per the registration details. However, the entire share capital was paid by Tamcon. Further, the joint venture partners subsequently amended the terms of the arrangement via an agreement and the key responsibilities assigned to Tamcon are as follows:

- a Providing financing to the Project including providing guarantees and required insurance as deemed appropriate;
- b Providing technical and administrative management for the Project;
- c Liable for payment of salaries and benefits including compensating them for anything relating to their rights;
- d Sub-contracting and coordinating with sub-contractors, including monitoring and taking corrective actions with respect to their progress relating to sub-contracted activities;
- e Completing all activities related to the Project with all relevant Government authorities and private sector;
- f Liable to pay for insurance, taxes and fines imposed by any party relating to the project;
- g Provide all required guarantees for the Project;
- h Performance of all activities and is responsible for all the obligations relating to the Project from all aspects including facilitating and elimination of any issues through out the Project and provide anything necessary from the date of contracting until the date of completion and hand over, without any problems to the owners of the Project;
- i ERESKO has the right to end the agreement at its own will and discretion solely without any condition / restriction / legal requirements and without the need to obtain any legal approval;
- j Obligated to provide the agreement to any parties financing the Project;
- k Agrees to pay 1.5% of the contract value to ERESKO and the payment is to be made upon receipt of any installment relating to the Project. Further, the percentage will also be applied to any increase in the contract value which is in compensation for ERESKO's expertise and contributions through their representatives; and
- l Relieves ERESKO from any obligations related to the Project and ERESKO does not guarantee neither support any obligation with respect to the Project contract.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

2 ACCOUNTING POLICIES (continued)**2.3 Basis of consolidation (continued)**

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

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

2.4 New standard issued but not yet effective

The standard issued but not yet effective, up to the date of issuance of the Group's financial statements is disclosed below. The Group intends to adopt this standard, when it becomes effective.

FAS 30 - Impairment, Credit Losses and Onerous Contracts (FAS 30)

FAS 30 was issued in November 2017. The requirements relating to impairment and credit losses of FAS 30 represent a significant change from FAS 11 "Provisions and Reserves". The standard is effective from the financial periods beginning on or after 1 January 2020, where early adoption is permitted. The Group has not early adopted the standard and has made an assessment of the impact of impairment requirements of FAS 30 on accumulated retained earnings. Based on the assessment performed management does not expect significant impact on the Group's retained earnings.

*FAS 28 - Murabaha and other deferred payment sales (effective from 1 January 2019)**FAS 31 - Investment Agency (Al-Wakala Bi-Al-Istithmar) (effective from 1 January 2020)**FAS 35 - Risk reserves (effective from 1 January 2021)***3 CYCLICALITY OF OPERATIONS**

The interim consolidated net income for the nine-month period ended 30 September 2018 may not represent a proportionate share of the annual net profit or loss due to the variability of income and operating expenses.

4 ACQUISITION OF A SUBSIDIARY*Acquisition of BIW Labor Accomodation Co W.L.L.*

During July 2017, the Group increased its effective equity stake in one of its associates (BIW Labor Accomodation Co W.L.L.) to 56.67%, resulting in de-recognition of its investment in associate and acquisition of investment in a subsidiary (BIW Labor Accomodation Co W.L.L.) giving the Group controlling stake as per the new shareholding.

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

Identifiable net assets

The fair value of the identifiable assets and liabilities of BIW Labor Accomodation Co W.L.L. as at the date of acquisition were:

	<i>1 July 2017 Fair value recognised on acquisition US\$ '000</i>
Assets	
Investment properties	28,779
Accounts receivables and other assets	487
Cash and cash equivalents	4,525
	<hr/> 33,791
Liability	
Accounts payables	(1,635)
	<hr/>
Total identifiable net assets at fair value	32,156

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

4 ACQUISITION OF A SUBSIDIARY (continued)

Non-controlling interest measured at share of net assets (43.33%)	(13,934)
Gain on bargain purchase	(129)
Purchase consideration	18,093
Total consideration comprised of:	
Investment in associate derecognised (note 8)	17,785
Cash consideration	308
	18,093

5 CASH AND BANK BALANCES

	<i>Reviewed</i> <i>30 September</i> <i>2018</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2017</i> <i>US\$ '000</i>
Current account balances with banks (note 5.1)	19,417	17,249
Short-term deposits (with an original maturity of 90 days or less)	10,889	4,244
Cash in hand	36	47
Total cash and cash equivalents	30,342	21,540
Short-term deposits (with an original maturity of more than 90 days)	42	200
Total cash and bank balances	30,384	21,740

Note 5.1

Current account balances with banks include US\$ 0.97 million (31 December 2017: US\$ 9.44 million) balance with a bank relating to one of a subsidiary of the Group, which has received an advance from a client to work on construction contract. The current account balances with banks are non-profit bearing.

6 ACCOUNTS RECEIVABLE

	<i>Reviewed</i> <i>30 September</i> <i>2018</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2017</i> <i>US\$ '000</i>
Amounts due from related parties (note 21)	32,605	33,089
Trade receivables	24,753	30,547
Other receivables	14,886	11,208
Rent receivable	1,431	996
	73,675	75,840
Less: provision for impaired receivables	(29,297)	(30,457)
	44,378	45,383

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

6 ACCOUNTS RECEIVABLE (continued)

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

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
At 1 January	30,457	24,365
Write back	(1,146)	(9,417)
Write off	(14)	(25)
Charge	-	15,534
	<u>29,297</u>	<u>30,457</u>

7 INVESTMENTS

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
Equity-type instruments at fair value through equity - unquoted		
Real estate related	20,987	23,273
Others	3,642	3,642
	<u>24,629</u>	<u>26,915</u>
Less: provision for impairment	(8,428)	(8,428)
	<u>16,201</u>	<u>18,487</u>

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 movement in the Group's provision for investments is as follows:

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
At 1 January	8,428	11,678
Write off	-	(3,250)
	<u>8,428</u>	<u>8,428</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
At 1 January	85,938	91,629
Acquisitions	6,649	6,788
Disposals during the period / year	(371)	-
Net share of (loss) / income	(1,187)	1,165
Gain on bargain purchase	-	3,393
Transfer from investments	-	748
Transfer to a subsidiary (note 4)	-	(17,785)
	91,029	85,938

9 INVESTMENT IN REAL ESTATE

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
At 1 January	76,823	50,810
Acquisition of a subsidiary (note 4)	-	28,779
In-kind settlement of receivables	-	5,199
In-kind settlement of dividend	-	1,976
Gain on sale of investment in real estate	-	1,256
Unrealised fair value loss on investment in real estate	-	(749)
Disposals	-	(10,448)
	76,823	76,823

10 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on leasehold land US\$ '000</i>	<i>Machinery, equipment furniture and fixtures US\$ '000</i>	<i>Computer hardware and software US\$ '000</i>	<i>Motor vehicles US\$ '000</i>	<i>Total US\$ '000</i>
Cost					
At 1 January 2018	10,122	10,489	1,481	2,263	24,355
Additions	-	36	38	-	74
Disposals	-	(55)	-	-	(55)
At 30 September 2018	10,122	10,470	1,519	2,263	24,374
Accumulated depreciation					
At 1 January 2018	1,512	7,001	1,339	1,538	11,390
Charge	304	982	58	199	1,543
Disposals	-	(55)	-	-	(55)
At 30 September 2018	1,816	7,928	1,397	1,737	12,878
Net book amount:					
At 30 September 2018	8,306	2,542	122	526	11,496
At 31 December 2017	8,610	3,488	142	725	12,965

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	<i>Reviewed nine months ended 30 September</i>	
	2018	2017
	US\$ '000	US\$ '000
Depreciation charged to contract costs	984	1,051
Depreciation charged to expenses	559	340
	1,543	1,391

11 OTHER ASSETS

	<i>Reviewed 30 September</i>	<i>Audited 31 December</i>
	2018	2017
	US\$ '000	US\$ '000
Advances to contractors	1,744	3,552
Prepayments	505	466
	2,249	4,018

12 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	<i>Reviewed 30 September</i>	<i>Audited 31 December</i>
	2018	2017
	US\$ '000	US\$ '000
Lease rent payables (note 12.1)	50,105	50,105
Accruals and other payables	31,307	26,178
Case compensation (note 12.2)	8,739	8,739
Retentions payable	4,643	4,187
Trade payables	3,239	3,578
Advance from a client for construction contracts	968	9,439
Amounts due to related parties (note 12.3 and 21)	24	30
	99,025	102,256

Note 12.1

The Group's subsidiary entered into a long term lease contract with the Ministry of Industry, Commerce and Tourism ("MOICT") 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 deferred due to the cost incurred by the Group on the reclamation of the leasehold land. Thereafter, the Group is required to pay lease rental over thirty years (from 2026 to 2056).

Note 12.2

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

12 OTHER LIABILITIES AND ACCOUNTS PAYABLE (continued)**Note 12.2 (continued)**

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 A BANK

	<i>Reviewed</i> <i>30 September</i> <i>2018</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2017</i> <i>US\$ '000</i>
Commodity murabaha financing	<u>10,172</u>	<u>12,927</u>

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

14 TREASURY SHARES

Treasury shares represent 3,500,000 (31 December 2017: 3,500,000) shares amounting to US\$ 1,238,680 (31 December 2017: US\$ 1,238,680) representing 1.22% (31 December 2017: 1.22%) of the issued share capital, held by the Group. During the period, the Company did not repurchase any additional shares (31 December 2017: 1,872,175 shares at US\$ 587,550).

15 INCOME FROM INVESTMENT IN REAL ESTATE

	<i>Reviewed</i> <i>nine months ended</i> <i>30 September</i>	
	<i>2018</i> <i>US\$ '000</i>	<i>2017</i> <i>US\$ '000</i>
Rental income	4,063	2,181
Gain on sale of investment in real estate	-	1,078
	<u>4,063</u>	<u>3,259</u>

16 INCOME FROM INVESTMENTS

	<i>Reviewed</i> <i>nine months ended</i> <i>30 September</i>	
	<i>2018</i> <i>US\$ '000</i>	<i>2017</i> <i>US\$ '000</i>
Realised gain on sale of an investment	4,363	500
Dividend income	720	319
Gain on bargain purchase - associate	-	3,136
Fair value gain on transfer of investment to investment in a joint venture and associates	-	252
	<u>5,083</u>	<u>4,207</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

17 OTHER INCOME

	<i>Reviewed nine months ended 30 September</i>	
	2018	2017
	US\$ '000	US\$ '000
Electricity and water services	1,636	237
Profit on short-term deposits	116	570
Others	227	201
	1,979	1,008

18 RECOVERIES FROM IMPAIRED RECEIVABLES

The Group reversed an amount of US\$ 1,146 thousand (30 September 2017: US\$ 2,630 thousand) as a result of settlements in respect of outstanding account receivables due from third parties.

During the period the Group had no provision recoveries from receivables which were due from related parties (30 September 2017: US\$ 6,154 thousand)

19 DIVIDEND PAID

During 2017, following the shareholders' approval at the Annual General Meeting held on 5 March 2017, cash dividend of US\$ 2.80 cents per share totalling US\$ 7,977 thousand was paid for the year ended 31 December 2016.

20 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Reviewed nine months ended 30 September</i>	
	2018	2017
Income attributable to the equity shareholders of the parent for the period - US\$ '000	12,307	18,904
Weighted average number of shares outstanding at the beginning and end of the period - in thousands	283,011	284,793
Earnings per share - US cents	4.35	6.64

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

21 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, 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.

Inovest B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

21 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	Reviewed 30 September 2018				Audited 31 December 2017			
	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Accounts receivable - gross	9,597	-	23,008	32,605	9,488	-	23,601	33,089
Provision for impaired receivables	(8,764)	-	(17,899)	(26,463)	(8,764)	-	(17,699)	(26,463)
Accounts receivable - net	833	-	5,309	6,142	724	-	5,902	6,626
Accounts payable	-	24	-	24	1	28	1	30

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

	Reviewed 30 September 2018				Reviewed 30 September 2017			
	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Income								
Income from investments	-	-	4,363	4,363	3,135	-	-	3,135
Fee for management and other services	24	-	86	110	159	-	201	360
Net income / (loss) from construction contracts	-	-	2	2	-	-	-	-
Net share of (loss) / income from investment in a joint venture and associates	(1,187)	-	-	(1,187)	356	-	-	356
	(1,163)	-	4,451	3,288	3,650	-	201	3,851
Expenses								
Staff costs	-	1,157	-	1,157	-	1,408	-	1,408
General and administrative expenses	4	254	56	314	7	599	53	629
	4	1,411	56	1,471	7	1,977	53	2,037
Recoveries from impaired receivables (note 18)	-	-	-	-	6,154	-	-	6,154

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

21 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	<i>Reviewed</i>	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Salaries and other benefits	<u>1,157</u>	<u>1,408</u>

22 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 interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

(a) Segment information relating to the interim consolidated statement of income is disclosed as follows:

	<i>30 September 2018 - Reviewed</i>					
	<i>Investment and related services US\$ '000</i>	<i>Construction contracts US\$ '000</i>	<i>Development and sale of industrial plots US\$ '000</i>	<i>Property and facility management services US\$ '000</i>	<i>Eliminations US\$ '000</i>	<i>Total US\$ '000</i>
Net revenues from external customers	655	8,909	4,116	(36)	-	13,644
Inter-segment transactions	-	-	-	183	(183)	-
Income from investments	5,083	-	-	-	-	5,083
Share of loss from investment in a joint venture and associates	(1,187)	-	-	-	-	(1,187)
Other income	92	127	1,751	9	-	1,979
Total revenue	<u>4,643</u>	<u>9,036</u>	<u>5,867</u>	<u>156</u>	<u>(183)</u>	<u>19,519</u>
Segment profit	<u>1,077</u>	<u>6,819</u>	<u>5,077</u>	<u>49</u>	<u>46</u>	<u>13,068</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

22 SEGMENTAL INFORMATION (continued)

	30 September 2017 - Reviewed					
	<i>Investment and related services</i> US\$ '000	<i>Construction contracts</i> US\$ '000	<i>Development and sale of industrial plots</i> US\$ '000	<i>Property and facility management services</i> US\$ '000	<i>Eliminations</i> US\$ '000	<i>Total</i> US\$ '000
Net revenues from external customers	1,693	8,085	2,081	161	-	12,020
Inter-segment transactions	-	-	-	6	(6)	-
Income from investments	819	-	3,432	-	-	4,251
Share of (loss) / profit from investment in a joint venture and associates	(135)	-	575	-	(84)	356
Other income	123	43	828	17	(3)	1,008
Total revenue	2,500	8,128	6,916	184	(93)	17,635
Segment (loss) / profit	618	5,882	12,637	73	(39)	19,171

(b) Segment information relating to the interim consolidated statement of financial position as at 30 September 2018 and 31 December 2017 is disclosed as follows:

	30 September 2018 - Reviewed					
	<i>Investment and related services</i> US\$ '000	<i>Construction contracts</i> US\$ '000	<i>Development and sale of industrial plots</i> US\$ '000	<i>Property and facility management services</i> US\$ '000	<i>Eliminations</i> US\$ '000	<i>Total</i> US\$ '000
Segment assets	298,031	70,228	113,775	247	(209,721)	272,560
Segment liabilities	60,570	30,258	56,469	36	(38,136)	109,197

	31 December 2017- Audited					
	<i>Investment and related services</i> US\$ '000	<i>Construction contracts</i> US\$ '000	<i>Development and sale of industrial plots</i> US\$ '000	<i>Property and facility management services</i> US\$ '000	<i>Eliminations</i> US\$ '000	<i>Total</i> US\$ '000
Segment assets	280,609	67,324	91,694	3,555	(177,828)	265,354
Segment liabilities	63,821	34,173	56,834	2,027	(41,672)	115,183

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Reviewed)

23 CONTINGENCIES AND COMMITMENTS

The Group has the following credit related commitments:

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
Guarantees	24,269	23,200

The Group has the following operating lease commitments:

	<i>Reviewed</i> 30 September 2017 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
Future minimum lease payments:		
Within one year	440	464
After one year but not more than five years	233	563
Total	673	1,027

24 FIDUCIARY ASSETS

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the interim consolidated statement of financial position. At 30 September 2018, the carrying value of such assets is US\$ 133 million (31 December 2017: US\$ 144 million).