

**Inovent B.S.C.**

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

**30 SEPTEMBER 2016 (REVIEWED)**

# Inovest B.S.C.

## Administration and contact details as at 30 September 2016

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### Commercial registration number

48848 obtained on 18 June 2002

### Board of Directors

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

### Chief Executive Officer

- Murad Al Ramadan

### Board Secretary

Riyadh Mahmood

### 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

### Governance Committee members

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

### Audit Committee members

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

### Nomination and Remuneration Committee members

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

### Risk Committee members

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

# **Inovest B.S.C.**

**Administration and contact details as at 30 September 2016**

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**Registered office**

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

**Bankers**

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

**Auditors**

Ernst & Young (EY)  
P.O. Box 140  
11th Floor,  
Bahrain World Trade Center  
Manama, Kingdom of Bahrain

**Registrars**

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

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

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 30 September 2016**

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 Sunday corresponding to 30 October 2016 in 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 30 September 2016, 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 entered into by the Company during the nine months period ended 30 September 2016 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 Salaman Bin Essa**  
Vice-Chairman

**Shaikh Dr. Murad Bou Daia**  
Member

A handwritten signature in black ink, appearing to be 'Khalid Shuja'a Al-Otaibi', is written over three horizontal lines. The signature is stylized and somewhat abstract.



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## **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 Inovert B.S.C. (the "Company") and its subsidiaries (together the "Group") as of 30 September 2016, and the related interim consolidated statements of income, changes in 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.

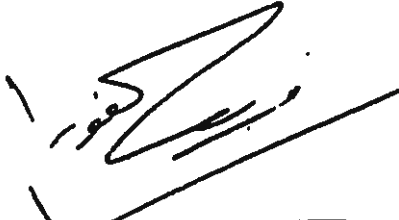
7 November 2016  
Manama, Kingdom of Bahrain

Inovest B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 September 2016 (Reviewed)

		<i>Reviewed</i> 30 September 2016 US\$ '000	<i>Audited</i> 31 December 2015 US\$ '000
<b>ASSETS</b>			
Cash and bank balances	5	47,033	40,430
Accounts receivable	6	34,572	39,850
Investment in real estate lease right receivables	7	9,220	-
Investments	8	18,487	18,753
Investment in a joint venture and associates	9	91,636	91,692
Investment in real estate	10	41,791	54,817
Property, plant and equipment	11	16,286	11,858
Other assets	12	7,444	12,066
Non-current asset held for sale		-	6,822
<b>TOTAL ASSETS</b>		<b>266,469</b>	<b>276,288</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	13	111,989	120,500
Financing from a bank	14	17,261	23,865
<b>Total liabilities</b>		<b>129,250</b>	<b>144,365</b>
<b>Equity</b>			
Share capital		114,604	114,604
Less: Treasury shares		(651)	(651)
		<b>113,953</b>	<b>113,953</b>
Share premium		-	30,760
Reserves		402	21,515
Retained earnings / (accumulated losses)		9,217	(51,873)
Equity attributable to Parent's shareholders		<b>123,572</b>	<b>114,355</b>
Non-controlling interest		<b>13,647</b>	<b>17,568</b>
<b>Total equity</b>		<b>137,219</b>	<b>131,923</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>266,469</b>	<b>276,288</b>

  
 \_\_\_\_\_  
 Fareed Soud Al-Fozan  
 Vice-chairman

  
 \_\_\_\_\_  
 Murad Al Ramadan  
 Chief Executive Officer


The attached explanatory notes 1 to 23 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 2016 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>OPERATING INCOME</b>					
Net income from construction contracts		2,032	1,696	5,607	3,535
Income from investment in real estate	15	791	238	2,531	874
Income from investments		44	-	1,484	744
Fee for management and other services		54	156	1,669	945
Net share of loss from investment in a joint venture and associates	9	(52)	(309)	(276)	(671)
Other income	16	294	192	1,333	1,221
<b>TOTAL OPERATING INCOME</b>		<b>3,163</b>	<b>1,973</b>	<b>12,348</b>	<b>6,648</b>
<b>OPERATING EXPENSES</b>					
Staff costs		(1,096)	(1,229)	(3,175)	(3,722)
General and administrative expenses		(616)	(595)	(1,826)	(2,285)
Financing costs		(231)	(715)	(492)	(2,174)
Property related expenses		(42)	(44)	(127)	(197)
Depreciation	11	(41)	(41)	(201)	(154)
<b>TOTAL OPERATING EXPENSES</b>		<b>(2,026)</b>	<b>(2,624)</b>	<b>(5,821)</b>	<b>(8,532)</b>
<b>NET OPERATING PROFIT / (LOSS)</b>		<b>1,137</b>	<b>(651)</b>	<b>6,527</b>	<b>(1,884)</b>
Recoveries / (provision) - net	17	2,653	-	2,653	(709)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>3,790</b>	<b>(651)</b>	<b>9,180</b>	<b>(2,593)</b>
Attributable to :					
Equity shareholders of the parent		3,795	(645)	9,193	(2,587)
Non-controlling interest		(5)	(6)	(13)	(6)
<b>BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE (US cents)</b>	18	<b>1.34</b>	<b>(0.23)</b>	<b>3.23</b>	<b>(0.91)</b>

  
 Fareed Soud Al-Fozan  
 Vice-chairman

  
 Murad Al Ramadan  
 Chief Executive Officer

The attached explanatory notes 1 to 23 form part of these interim condensed consolidated financial statements.

Inovest B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine month period ended 30 September 2016 (Reviewed)

	Equity attributable to Company's shareholders							Total equity US\$ '000
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Reserves		Retained earnings US\$ '000	Non-controlling interest US\$ '000	
				Statutory reserve US\$ '000	Share option reserve US\$ '000			
At 1 January 2016	114,604	(651)	30,760	21,473	42	(51,873)	17,568	131,923
Acquisition of non-controlling interest	-	-	-	-	-	-	(3,884)	(3,884)
Gain on acquisition of non-controlling interest	-	-	-	-	-	24	(24)	-
Transfer to reserves *	-	-	(30,760)	(21,113)	-	51,873	-	-
Profit for the period	-	-	-	-	-	9,193	(13)	9,180
<b>At 30 September 2016</b>	<b>114,604</b>	<b>(651)</b>	<b>-</b>	<b>360</b>	<b>42</b>	<b>9,217</b>	<b>13,647</b>	<b>137,219</b>
At 1 January 2015	114,604	(651)	30,760	21,473	42	(3,781)	-	162,447
Acquisition during the period (note 4)	-	-	-	-	-	-	23,204	23,204
Loss for the period	-	-	-	-	-	(2,587)	(6)	(2,593)
<b>At 30 September 2015</b>	<b>114,604</b>	<b>(651)</b>	<b>30,760</b>	<b>21,473</b>	<b>42</b>	<b>(6,368)</b>	<b>23,198</b>	<b>183,058</b>

\* During the period, based on the approval from MOIC via letter dated 5 April 2016, the Group has set-off its accumulated losses of USD 52 million against its share premium and statutory reserves.



**Inovent B.S.C.****INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND**

For the nine month period ended 30 September 2016 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Sources of charity funds</b>				
Undistributed charity funds at the beginning of the period	626	626	626	626
Contributions by the Company	-	-	-	-
<b>Total sources of charity funds during the period</b>	<b>626</b>	<b>626</b>	<b>626</b>	<b>626</b>
<b>Uses of charity funds</b>				
Contributions for charitable purposes	-	-	-	-
<b>Total uses of funds during the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Undistributed charity funds at end of period</b>	<b>626</b>	<b>626</b>	<b>626</b>	<b>626</b>

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine month period ended 30 September 2016 (Reviewed)

	Note	Nine months ended 30 September	
		2016	2015
		US\$ '000	US\$ '000
<b>OPERATING ACTIVITIES</b>			
Profit / (loss) for the period		9,180	(2,593)
Adjustments for:			
Depreciation	11	1,274	595
Net share of loss from investment in a joint venture and associates	9	276	671
Realised loss on sale of investments		3	-
Realised gain on sale of investment in a joint venture and associates		(871)	-
Realised gain on sale of investment in real estate	15	(1,366)	(374)
(Recoveries) / provision - net		(2,653)	709
		<u>5,843</u>	<u>(992)</u>
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		(11,804)	-
Accounts receivable		6,566	(12,430)
Receivable from real estate lease right		(67)	-
Other assets		4,622	-
Accounts payable		(8,511)	40,845
Net cash (used in) from operating activities		<u>(3,351)</u>	<u>27,423</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of investment in real estate		8,393	9,364
Acquisition of a subsidiary		-	47
Acquisition of further shares of subsidiary		(3,884)	-
Purchase of property, plant and equipment	11	(4,337)	(2,616)
Purchase of investment in real estate	10	(3,154)	(357)
Purchase of investment in a joint venture and associates	9	(220)	(316)
Sale of investment in a joint venture and associates		7,693	-
Proceeds from sale of investments		263	-
Proceeds from sale of property, plant and equipment		-	6
Dividends received from a joint venture and associates		-	637
Net cash from investing activities		<u>4,754</u>	<u>6,765</u>
<b>FINANCING ACTIVITY</b>			
Net movement in financing from a bank		(6,604)	(2,024)
Cash used in financing activity		<u>(6,604)</u>	<u>(2,024)</u>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>(5,201)</b>	<b>32,164</b>
Cash and cash equivalents at the beginning of the period		40,430	8,515
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><b>35,229</b></u>	<u><b>40,679</b></u>
<b>Non cash transactions:</b>			
Recognition of investment in joint ventures and associates (acquisition of a subsidiary)	4	-	55,509
Derecognition of investment in joint ventures and associates (acquisition of a subsidiary)	4	-	27,623
Non controlling interest (acquisition of a subsidiary)	4	-	23,204
Contribution of investment properties	4	-	4,242
Receivables recognised against disposal of associate		-	441
Net movement in receivables (acquisition of a subsidiary)	4	-	124
Trade and other payables (acquisition of a subsidiary)	4	-	363
Transfer from properties under development to investment in real estate		-	5,585
Transfer from investment in real estate to accounts receivable		9,153	-
Non cash settlement of accounts receivable to property plant and equipment		1,365	-

The attached explanatory notes 1 to 23 form part of these interim condensed consolidated financial statements.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (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 2016 was 1,051 (31 December 2015: 1,178 ).

The interim condensed consolidated financial statements for the nine months ended 30 September 2016 were authorised for issue in accordance with a resolution of the Board of Directors dated 7 November 2016.

**2 ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2016 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 2015. 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (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 2015 which were prepared in accordance with the Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial ("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 2016</i>	<i>Ownership 2015</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Activity</i>
<b>Held directly by the Company</b>					
Al Khaleej Development Co. B.S.C. (c)*	99.98%	99.98%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties
Tameer for Private Management W.L.L.*	99.00%	99.00%	Kingdom of Bahrain	2004	Holds the Group's shares on behalf of its employees in respect of the employees' share option plan

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

<b>Held indirectly by the Company</b>					
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 Properties and Facilities 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%	58.29%	Cayman Islands	2008	Managing and Development of Real Estate Projects
Tamcon Trading S.P.C.	100.00%	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its spare parts and sale of building materials.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (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 2016</i>	<i>Ownership 2015</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.

\* 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:

- 1 Providing financing to the Project including providing guarantees and required insurance as deemed appropriate;
- 2 Providing technical and administrative management for the Project;
- 3 Liable for payment of salaries and benefits including compensating them for anything relating to their rights;
- 4 Sub-contracting and coordinating with sub-contractors, including monitoring and taking corrective actions with respect to their progress relating to sub-contracted activities;
- 5 Completing all activities related to the Project with all relevant Government authorities and private sector;
- 6 Liable to pay for insurance, taxes and fines imposed by any party relating to the project;
- 7 Provide all required guarantees for the Project;
- 8 Performance of all activities and is responsible for all the obligations relating to the Project from all aspects including facilitating and elimination of any issues through out the Project and provide anything necessary from the date of contracting until the date of completion and hand over, without any problems to the owners of the Project;
- 9 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;
- 10 Obligated to provide the agreement to any parties financing the Project;
- 11 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
- 12 Relieves ERESKO from any obligations related to the Project and ERESKO does not guarantee neither support any obligation with respect to the Project contract.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (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 ERESKO, which states that the later will not have any right in the share of assets and profits of ERESKO Tamcon JV B.S.C. (c).

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

**3 CYCLICALITY OF OPERATIONS**

The interim consolidated net income for the nine-month period ended 30 September 2016 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 Dannat Resort Development Company Limited*

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

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

**Identifiable net assets**

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**5 CASH AND BANK BALANCES**

	<i>Reviewed</i> <b>30 September</b> 2016 <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> 2015 <i>US\$ '000</i>
Short-term deposits (with an original maturity of 90 days or less)	18,383	2,122
Current account balances with banks	16,790	29,440
Cash in hand	56	47
<b>Total cash and cash equivalents</b>	<b>35,229</b>	<b>31,609</b>
Short-term deposits (with an original maturity of more than 90 days)	11,804	8,821
<b>Total cash and bank balances</b>	<b>47,033</b>	<b>40,430</b>

The current account balances with banks are non-profit bearing.

**6 ACCOUNTS RECEIVABLE**

	<i>Reviewed</i> <b>30 September</b> 2016 <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> 2015 <i>US\$ '000</i>
Trade receivables	27,295	21,738
Amounts due from related parties (note 19)	20,852	31,917
Other receivables	10,232	12,826
Rent receivable	564	392
	<b>58,943</b>	<b>66,873</b>
Less: provision for impaired receivables	<b>(24,371)</b>	<b>(27,023)</b>
	<b>34,572</b>	<b>39,850</b>

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

**7 INVESTMENT IN REAL ESTATE LEASE RIGHT RECEIVABLES**

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**8 INVESTMENTS**

	<i>Reviewed</i> 30 September 2016 US\$ '000	<i>Audited</i> 31 December 2015 US\$ '000
<b>Equity-type instruments at fair value through equity - unquoted</b>		
Real estate related	23,273	23,539
Others	6,892	6,892
	<u>30,165</u>	<u>30,431</u>
Less: provision for impairment	(11,678)	(11,678)
	<u>18,487</u>	<u>18,753</u>

Available-for-sale investments 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.

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

**9 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES**

	<i>Reviewed</i> 30 September 2016 US\$ '000	<i>Audited</i> 31 December 2015 US\$ '000
At 1 January	105,178	94,531
Investment in a joint venture from acquisition of a subsidiary	-	55,509
Acquisitions during the period / year	220	326
Investment in associate derecognised	-	(27,623)
Transfer to non-current asset held for sale	-	(6,822)
Disposals during the period / year	-	(6,347)
Net share of loss during the period / year	(276)	(3,760)
Dividends received during the period / year	-	(636)
	<u>105,122</u>	<u>105,178</u>
Provision for impairment	(13,486)	(13,486)
	<u>91,636</u>	<u>91,692</u>

**10 INVESTMENT IN REAL ESTATE**

	<i>Reviewed</i> 30 September 2016 US\$ '000	<i>Audited</i> 31 December 2015 US\$ '000
At 1 January	54,817	65,773
Purchases during the period / year	3,154	418
Transferred from properties under development	-	5,585
Realised gains on sale of investment in real estate	-	-
Unrealised fair value loss	-	(3,160)
Disposals during the period / year	(16,180)	(13,799)
	<u>41,791</u>	<u>54,817</u>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**11 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>Capital work-in- progress US\$ '000</i>	<i>Total US\$ '000</i>
<b>Cost</b>						
At 1 January 2016	4,284	8,063	1,400	1,708	4,136	19,591
Additions	3,621	1,476	40	526	39	5,702
Disposals	-	(15)	-	(110)	-	(125)
<b>At 30 September 2016</b>	<b>7,905</b>	<b>9,524</b>	<b>1,440</b>	<b>2,124</b>	<b>4,175</b>	<b>25,168</b>
<b>Accumulated depreciation</b>						
At 1 January 2016	900	4,551	1,158	1,124	-	7,733
Charge	149	845	79	201	-	1,274
Disposals	-	(15)	-	(110)	-	(125)
<b>At 30 September 2016</b>	<b>1,049</b>	<b>5,381</b>	<b>1,237</b>	<b>1,215</b>	<b>-</b>	<b>8,882</b>
<b>Net book amount: At 30 September 2016</b>	<b>6,856</b>	<b>4,143</b>	<b>203</b>	<b>909</b>	<b>4,175</b>	<b>16,286</b>
At 31 December 2015	3,384	3,512	242	584	4,136	11,858

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>	
	<i>2016</i>	<i>2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Depreciation charged to contract costs	1,073	441
Depreciation charged to expenses	201	154
	<b>1,274</b>	<b>595</b>

**12 OTHER ASSETS**

	<i>Reviewed 30 September 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
Advances to contractors	6,596	11,568
Prepayments	848	498
	<b>7,444</b>	<b>12,066</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**13 ACCOUNTS PAYABLE**

	<i>Reviewed</i> 30 September 2016 US\$ '000	<i>Audited</i> 31 December 2015 US\$ '000
Lease rent payables (note 13.1)	50,105	50,105
Advance from a client for construction contracts	27,662	35,824
Accruals and other payables	16,468	17,807
Case compensation	8,739	8,739
Trade payables	6,137	5,576
Retentions payable	2,637	1,469
Amounts due to related parties (note 13.2)	241	980
	<u>111,989</u>	<u>120,500</u>

**Note 13.1**

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

In accordance with the terms of the agreement with the MOIC, from the date of signing the agreement, no lease rent is payable for the first two years of the lease period, from 2006 to 2007. Lease rent payable, for the lease period (from 2008-2025), was 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 13.2**

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

**14 FINANCING FROM A BANK**

	<i>Reviewed</i> 30 September 2016 US\$ '000	<i>Audited</i> 31 December 2015 US\$ '000
Murabaha and musharaka financing	<u>17,261</u>	<u>23,865</u>

The Group has obtained financing from banks 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 banks.

**15 INCOME FROM INVESTMENT IN REAL ESTATE**

	<i>Reviewed</i> Nine months ended 30 September	
	2016 US\$ '000	2015 US\$ '000
Realised gain on sale of investment in real estate	1,366	374
Rental income	1,165	500
	<u>2,531</u>	<u>874</u>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**16 OTHER INCOME**

	<i>Reviewed</i>	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2016</b>	<b>2015</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Electricity and water services	786	980
Profit on short-term deposits	322	65
Reversal of accrued expense for case compensation	142	-
Others	83	176
	<b>1,333</b>	<b>1,221</b>

**17 RECOVERIES / (PROVISION) - NET**

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

In 2015, a case was filed by one of the investors against one of the project companies 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\$ 675,000 and interest of 4% p.a. from the date of the claim until full settlement plus US\$ 7,958 as lawyer fees and other suitable expenses.

**18 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE**

Basic and diluted earnings / (loss) per share amounts are calculated by dividing net income / (loss) 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</i>	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2016</b>	<b>2015</b>
Income / (loss) attributable to the equity shareholders of the parent for the period - US\$ '000	<b>9,193</b>	<b>(2,587)</b>
Weighted average number of shares outstanding at the beginning and end of the period - in thousands	<b>284,883</b>	<b>284,883</b>
Earnings / (loss) per share - US cents	<b>3.23</b>	<b>(0.91)</b>

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

**19 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

## 19 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	Reviewed 30 September 2016				Audited 31 December 2015			
	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 (net-off provision)	3,440	-	280	3,720	11,759	1	373	12,133
Accounts payable	62	-	179	241	776	-	204	980

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

	Reviewed 30 September 2016				Reviewed 30 September 2015			
	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	16	-	20	36	123	-	323	446
Fee for management and other services	-	-	-	-	-	-	(45)	(45)
Net loss from construction contracts	(259)	-	(17)	(276)	(661)	-	(10)	(671)
Net share of loss from investment in joint ventures and associates	-	-	-	-	108	-	-	108
Other income	(243)	-	3	(240)	(430)	-	268	(162)
Expenses	-	1,070	-	1,070	-	1,467	-	1,467
Staff costs	1	345	12	358	16	75	17	108
General and administrative expenses	1	1,415	12	1,428	16	1,542	17	1,575

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**19 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>	
	<b>2016</b>	<b>2015</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Salaries and other benefits	1,058	1,341
End of service benefits	12	126
	<b>1,070</b>	<b>1,467</b>

**20 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 2016 - Reviewed</i>					
	<i>Investment and related services</i>	<i>Construction contracts</i>	<i>Development and sale of industrial plots</i>	<i>Property and facility management services</i>	<i>Eliminations</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net revenues from external customers	1,894	5,607	2,163	143	-	9,807
Income from investments	1,484	-	-	-	-	1,484
Share of (loss) / profit from investment in a joint venture and associates	(466)	-	190	-	-	(276)
Other income	292	78	952	11	-	1,333
<b>Total revenue</b>	<b>3,204</b>	<b>5,685</b>	<b>3,305</b>	<b>154</b>	<b>-</b>	<b>12,348</b>
<b>Segment (loss) / profit</b>	<b>(368)</b>	<b>3,937</b>	<b>5,567</b>	<b>44</b>	<b>-</b>	<b>9,180</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**20 SEGMENTAL INFORMATION (continued)**

	30 September 2015 - 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	464	3,535	923	432	-	5,354
Inter-segment transactions	-	21	(378)	38	319	-
Income from investments	744	-	-	-	-	744
Share of (loss) / profit from investment in joint ventures and associates	(699)	-	28	-	-	(671)
Other income	137	55	1,027	2	-	1,221
<b>Total revenue</b>	<b>646</b>	<b>3,611</b>	<b>1,600</b>	<b>472</b>	<b>319</b>	<b>6,648</b>
<b>Segment (loss) / profit</b>	<b>(6,099)</b>	<b>2,046</b>	<b>1,025</b>	<b>78</b>	<b>357</b>	<b>(2,593)</b>

(b) Segment information relating to the interim consolidated statement of financial position as at 30 September 2016 and 31 December 2015 is disclosed as follows:

	30 September 2016 - 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	238,062	72,647	61,264	1,429	(106,933)	266,469
Segment liabilities	49,941	43,665	56,339	68	(20,763)	129,250

	31 December 2015- 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	216,913	74,953	56,819	1,642	(74,039)	276,288
Segment liabilities	48,784	49,909	57,462	325	(12,115)	144,365

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 2016 (Reviewed)

**21 CONTINGENCIES AND COMMITMENTS**

The Group has the following credit related commitments:

	<i>Reviewed</i> <i>30 September</i> <i>2016</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>US\$ '000</i>
Guarantees	<u>26,391</u>	<u>27,678</u>

The Group has the following operating lease commitments:

	<i>Reviewed</i> <i>30 September</i> <i>2016</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>US\$ '000</i>
Future minimum lease payments:		
Within one year	489	453
After one year but not more than five years	1,052	1,339
Total	<u>1,541</u>	<u>1,792</u>

**22 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 2016, the carrying value of such assets is US\$ 187 million (31 December 2015: US\$ 210 million).

**23 COMPARATIVE FIGURES**

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