

Inovent B.S.C.

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

30 JUNE 2017 (REVIEWED)

Inovest B.S.C.

Administration and contact details as at 30 June 2017

Commercial registration number

48848 obtained on 18 June 2002

Board of Directors

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

Chief Executive Officer

Murad Al Ramadan

Board Secretary

Riyadh Mahmood Mulla

Sharia'a Supervisory Board

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

Corporate Governance Committee members

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

Audit Committee members

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

Nomination and Remuneration Committee members

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

Risk Committee members

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

Inovest B.S.C.

Administration and contact details as at 30 June 2017

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 Six Months Period Ended 30 June 2017**

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 Tuesday corresponding to 25 July 2017 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 six months period ended 30 June 2017, 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 six months period ended 30 June 2017 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



Ernst & Young
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
ey.com/mena
C.R. No. 6700 / 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 Inovert B.S.C. (the "Company") and its subsidiaries (together the "Group") as of 30 June 2017, and the related interim consolidated statements of income, changes in equity, cash flows and sources and uses of charity fund for the six-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.

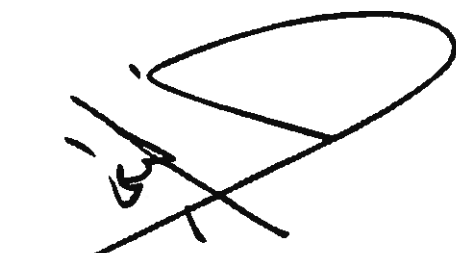
27 July 2017
Manama, Kingdom of Bahrain

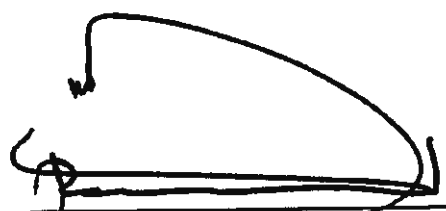
Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (Reviewed)

		<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
ASSETS			
Cash and bank balances	4	38,737	40,066
Accounts receivable	5	42,897	38,237
Investment in real estate lease right receivables	6	9,303	9,246
Investments	7	18,487	18,983
Investment in a joint venture and associates	8	101,110	91,629
Investment in real estate	9	42,971	41,564
Property, plant and equipment	10	15,997	16,090
Other assets	11	6,205	7,040
TOTAL ASSETS		275,707	262,855
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	12	113,061	108,323
Financing from a bank	13	14,660	16,408
Total liabilities		127,721	124,731
Equity			
Share capital		114,604	114,604
Less: Treasury shares	14	(696)	(651)
		113,908	113,953
Reserves		1,413	1,413
Retained earnings		19,034	9,118
Equity attributable to parent's shareholders		134,355	124,484
Non-controlling interest		13,631	13,640
Total equity		147,986	138,124
TOTAL LIABILITIES AND EQUITY		275,707	262,855


Khaled Saoud Al Sanousi
Chairman


Murad Al-Ramadan
Chief Executive Officer

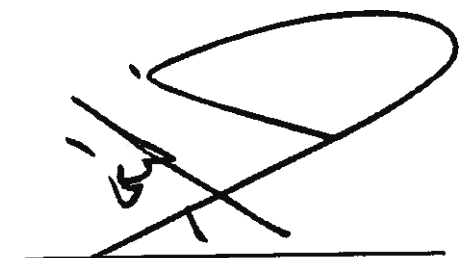
The attached explanatory notes 1 to 23 form part of these interim condensed consolidated financial statements.

Inovent B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six month period ended 30 June 2017 (Reviewed)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
OPERATING INCOME					
Net income from construction contracts		2,849	2,057	5,777	3,575
Income from investment in real estate	15	658	381	1,799	1,740
Income from investments		4,207	572	4,207	1,440
Fee for management and other services		210	955	450	1,615
Net share of income / (loss) from investment in a joint venture and associates	8	534	(79)	569	(224)
Other income	16	538	225	859	1,039
TOTAL OPERATING INCOME		8,996	4,111	13,661	9,185
OPERATING EXPENSES					
Staff costs		1,044	993	2,410	2,079
General and administrative expenses		758	576	1,626	1,210
Financing costs		205	229	419	261
Property related expenses		31	49	98	85
Depreciation	10	117	75	222	160
TOTAL OPERATING EXPENSES		2,155	1,922	4,775	3,795
NET OPERATING PROFIT		6,841	2,189	8,886	5,390
Recoveries from impaired receivables	17	2,238	-	8,372	-
PROFIT FOR THE PERIOD		9,079	2,189	17,258	5,390
Attributable to :					
Equity shareholders of the parent		9,083	2,193	17,267	5,398
Non-controlling interest		(4)	(4)	(9)	(8)
BASIC AND DILUTED EARNINGS					
PER SHARE (US cents)	19	3.19	0.76	6.06	1.89



Khaled Saoud Al Sanousi
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 six month period ended 30 June 2017 (Reviewed)

	Equity attributable to parent's shareholders										Total equity US\$ '000
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Reserves		Share option reserve US\$ '000	Retained earnings US\$ '000	Total parent's shareholders' equity US\$ '000	Non-controlling interest US\$ '000	Total equity US\$ '000	
				Statutory reserve US\$ '000	Share option reserve US\$ '000						
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 18)	-	-	-	-	-	(7,977)	(7,977)	-	(7,977)		
Purchase of treasury shares	-	(45)	-	-	-	-	(45)	-	(45)		
Profit for the period	-	-	-	-	-	17,267	17,267	(9)	17,258		
At 30 June 2017	114,604	(696)	-	1,371	42	19,034	134,355	13,631	147,986		
At 1 January 2016	114,604	(651)	30,760	21,473	42	(51,873)	114,355	17,568	131,923		
Transfer to reserves *	-	-	(30,760)	(21,113)	-	51,873	-	-	-		
Profit for the period	-	-	-	-	-	5,398	5,398	(8)	5,390		
At 30 June 2016	114,604	(651)	-	360	42	5,398	119,753	17,560	137,313		

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

Inovest B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF
CHARITY FUND**

For the six month period ended 30 June 2017 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</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	626	626
Reversal of appropriation to charity funds	(626)	-	(626)	-
Undistributed charity funds at end of period	-	626	-	626

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

Inovent B.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2017 (Reviewed)

	Note	Six months ended 30 June	
		2017 US\$ '000	2016 US\$ '000
OPERATING ACTIVITIES			
Profit for the period		17,258	5,390
Adjustments for:			
Depreciation	10	896	855
Net share of (income) / loss from investment in a joint venture and associates	8	(569)	224
Realised gain on sale of investments		(500)	(868)
Gain on sale of investment in real estate	15	(1,030)	(992)
Gain on bargain purchase	8	(3,135)	-
Fair value gain on transfer of investment to investment in a joint venture and associates		(252)	-
Recoveries from impaired receivables		(8,372)	-
		<u>4,296</u>	<u>4,609</u>
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		767	(20,223)
Accounts receivable		(987)	3,732
Receivable from real estate lease right		(57)	(41)
Other assets		835	2,648
Accounts payable		5,364	(3,865)
		<u>10,218</u>	<u>(13,140)</u>
INVESTING ACTIVITIES			
Proceeds from sale of investment in real estate		4,822	4,277
Purchase of property, plant and equipment	10	(876)	(4,021)
Purchase of investment in real estate	9	-	(3,201)
Purchase of investment in a joint venture and associates		(5,029)	-
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		73	-
		<u>(1,010)</u>	<u>5,011</u>
FINANCING ACTIVITIES			
Net movement in financing from a bank		(1,748)	(6,604)
Dividend paid		(7,977)	-
Purchase of treasury shares		(45)	-
		<u>(9,770)</u>	<u>(6,604)</u>
Cash used in financing activities			
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(562)	(14,733)
Cash and cash equivalents at the beginning of the period		32,617	40,430
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>32,055</u>	<u>25,697</u>
Non cash transactions:			
Investment in real estate acquired against accounts receivable		5,199	-
Transfer from investment to investment in a joint venture and associates		748	-
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

1 INCORPORATION AND ACTIVITIES

a) Incorporation

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

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

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 June 2017 was 891 employee (31 December 2016: 1,076 employee).

The interim condensed consolidated financial statements for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board of Directors dated 27 July 2017.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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 2016. 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 June 2017 (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 2016 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 2017</i>	<i>Ownership 2016</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.*	99.00%	99.00%	Kingdom of Bahrain	2004	Holds the Group's shares on behalf of its employees in respect of the employees' share option plan

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

Held indirectly by the Company					
Bahrain Investment Wharf B.S.C. (c)*	99.00%	99.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial 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 June 2017 (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 2017</i>	<i>Ownership 2016</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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (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 Contracting Co. B.S.C. (c) and is therefore consolidated as a 100% owned subsidiary.

3 CYCLICALITY OF OPERATIONS

The interim consolidated net income for the six-month period ended 30 June 2017 may not represent a proportionate share of the annual net profit or loss due to the variability of income and operating expenses.

4 CASH AND BANK BALANCES

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Current account balances with banks (note 4.1)	21,057	11,526
Short-term deposits (with an original maturity of 90 days or less)	10,956	21,049
Cash in hand	42	42
Total cash and cash equivalents	32,055	32,617
Short-term deposits (with an original maturity of more than 90 days)	6,682	7,449
Total cash and bank balances	38,737	40,066

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

Note 4.1

Current account balances with banks include US\$ 11.48 million (31 December 2016: US\$ 7.96 million) balance with a bank relating to one of the subsidiary of the Group, which has received an advance from a client to start work on construction contract. The current account balances with banks are non-profit bearing.

5 ACCOUNTS RECEIVABLE

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Trade receivables	30,486	30,061
Amounts due from related parties (note 20)	16,270	20,484
Other receivables	11,626	11,536
Rent receivable	508	521
	58,890	62,602
Less: provision for impaired receivables	(15,993)	(24,365)
	42,897	38,237

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 June 2017 (Reviewed)

5 ACCOUNTS RECEIVABLE (continued)

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

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
At 1 January	24,365	27,023
Write back	(8,372)	(2,653)
Charge	-	13
Write off	-	(18)
	<u>15,993</u>	<u>24,365</u>

6 INVESTMENT IN REAL ESTATE LEASE RIGHT RECEIVABLES

During 2016, 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".

7 INVESTMENTS

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Equity-type instruments at fair value through equity - unquoted		
Real estate related	23,273	23,769
Others	3,642	6,892
	<u>26,915</u>	<u>30,661</u>
Less: provision for impairment	(8,428)	(11,678)
	<u>18,487</u>	<u>18,983</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 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
At 1 January	11,678	11,678
Write off	(3,250)	-
Write back	-	-
	<u>8,428</u>	<u>11,678</u>

Inovest B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
At 1 January	91,629	91,692
Acquisitions	5,029	238
Gain on bargain purchase	3,135	-
Transfer from investments	748	-
Net share of income / (loss)	569	(301)
	<u>101,110</u>	<u>91,629</u>

9 INVESTMENT IN REAL ESTATE

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
At 1 January	41,564	54,817
Purchases	-	3,154
In-kind settlement of receivables	5,199	-
Gain on sale of investment in real estate	1,030	1,403
Disposals	(4,822)	(17,810)
	<u>42,971</u>	<u>41,564</u>

10 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on leasehold land US\$ '000</i>	<i>Machinery, equipment 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>
Cost						
At 1 January 2017	7,905	9,657	1,458	2,235	4,177	25,432
Transfers	4,177	-	-	-	(4,177)	-
Additions	17	843	16	-	-	876
Disposals	-	(50)	(26)	(66)	-	(142)
At 30 June 2017	<u>12,099</u>	<u>10,450</u>	<u>1,448</u>	<u>2,169</u>	<u>-</u>	<u>26,166</u>
Accumulated depreciation						
At 1 January 2017	1,112	5,683	1,267	1,280	-	9,342
Charge	210	510	51	125	-	896
Disposals	-	(31)	(25)	(13)	-	(69)
At 30 June 2017	<u>1,322</u>	<u>6,162</u>	<u>1,293</u>	<u>1,392</u>	<u>-</u>	<u>10,169</u>
Net book amount:						
At 30 June 2017	<u>10,777</u>	<u>4,288</u>	<u>155</u>	<u>777</u>	<u>-</u>	<u>15,997</u>
At 31 December 2016	<u>6,793</u>	<u>3,974</u>	<u>191</u>	<u>955</u>	<u>4,177</u>	<u>16,090</u>

Inovest B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (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</i> <i>Six months ended</i> <i>30 June</i>	
	2017	2016
	US\$ '000	US\$ '000
Depreciation charged to contract costs	674	695
Depreciation charged to expenses	222	160
	896	855

11 OTHER ASSETS

	<i>Reviewed</i> <i>30 June</i> <i>2017</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>US\$ '000</i>
Advances to contractors	5,703	6,249
Prepayments	502	791
	6,205	7,040

12 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	<i>Reviewed</i> <i>30 June</i> <i>2017</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>US\$ '000</i>
Lease rent payables (note 12.1)	50,105	50,105
Accruals and other payables	29,001	15,501
Advance from a client for construction contracts	15,266	23,456
Case compensation	8,739	8,739
Trade payables	6,213	7,308
Retentions payable	3,668	3,068
Amounts due to related parties (note 12.2 and 20)	69	146
	113,061	108,323

Note 12.1

The Group's subsidiary entered into a long term lease contract with the Ministry of Industry, Commerce and Tourism ("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 12.2

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

13 FINANCING FROM A BANK

	<i>Reviewed</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Commodity murabaha financing	<u>14,660</u>	<u>16,408</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 1,763,501 (30 June 2016: 1,627,825) shares amounting to US\$ 695,813 (30 June 2016: US\$ 651,130) representing 0.62% (30 June 2016: 0.57%) of the issued share capital, held by the Group. During the period, the Company repurchased 135,676 additional shares at US\$ 44,683 (30 June 2016: nil).

15 INCOME FROM INVESTMENT IN REAL ESTATE

	<i>Reviewed</i>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Gain on sale of investment in real estate	1,030	992
Rental income	769	748
	<u>1,799</u>	<u>1,740</u>

16 OTHER INCOME

	<i>Reviewed</i>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Profit on short-term deposits	405	199
Electricity and water services	260	625
Reversal of accrued expense for case compensation	-	134
Others	194	81
	<u>859</u>	<u>1,039</u>

17 RECOVERIES FROM IMPAIRED RECEIVABLES

During 2017, the Group collected US\$ 6,154 thousand representing final settlement against outstanding account receivables due from one of its related parties and, hence, the respective provision amount has been reversed.

Furthermore, the Group reversed an amount of US\$ 2,218 thousand as a result of final settlement agreement in respect of outstanding account receivable due from a third party.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

18 DIVIDEND PAID

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 (31 December 2015: nil).

19 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</i>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	<u>2017</u>	<u>2016</u>
Income attributable to the equity shareholders of the parent for the period - US\$ '000	<u>17,267</u>	<u>5,398</u>
Weighted average number of shares outstanding at the beginning and end of the period - in thousands	<u>284,869</u>	<u>284,883</u>
Earnings per share - US cents	<u>6.06</u>	<u>1.89</u>

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

20 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 June 2017 (Reviewed)

20 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	Reviewed 30 June 2017				Audited 31 December 2016			
	Key management personnel/ Board Associates and joint venture US\$ '000	members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Key management personnel/ Board Associates and joint venture US\$ '000	members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Accounts receivable - gross	9,729	-	6,541	16,270	16,250	-	4,234	20,484
Provision for impaired receivables	(8,764)	-	(2,225)	(10,989)	(14,917)	-	(2,225)	(17,142)
Accounts receivable - net	965	-	4,316	5,281	1,333	-	2,009	3,342
Accounts payable	36	33	-	69	114	32	-	146

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

	Reviewed 30 June 2017				Reviewed 30 June 2016			
	Key management personnel/ Board Associates and joint venture US\$ '000	members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Key management personnel/ Board Associates and joint venture US\$ '000	members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Income								
Fee for management and other services	111	-	168	279	16	-	20	36
Income from investments	3,388	-	-	3,388	-	-	-	-
Net loss from construction contracts	-	-	(509)	(509)	-	-	-	-
Net share of income / (loss) from investment in joint ventures and associates	569	-	-	569	-	-	-	-
Other income	-	-	-	-	(224)	-	-	(224)
	4,068	-	(341)	3,727	(208)	-	20	(188)
Expenses								
Staff costs	-	1,004	-	1,004	-	726	-	726
General and administrative expenses	5	554	32	591	1	143	122	266
	5	1,558	32	1,595	1	869	122	992
Recoveries from impaired receivables (note 17)	6,154	-	-	6,154	-	-	-	-

Inovent B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

20 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	<i>Reviewed</i> <i>Six months ended</i> <i>30 June</i>	
	2017	2016
	US\$ '000	US\$ '000
Salaries and other benefits	1,004	726

21 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 June 2017 - 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	1,400	5,777	735	114	-	8,026
Inter-segment transactions	-	-	-	4	(4)	-
Income from investments	819	-	3,388	-	-	4,207
Share of (loss) / profit from investment in a joint venture and associates	(7)	-	576	-	-	569
Other income	81	37	731	13	(3)	859
Total revenue	2,293	5,814	5,430	131	(7)	13,661
Segment profit	1,619	4,208	11,338	63	30	17,258

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

21 SEGMENTAL INFORMATION (continued)

	30 June 2016 - Reviewed					Total US\$ '000
	Investment and related services US\$ '000	Construction contracts US\$ '000	Development and sale of industrial plots US\$ '000	Property and facility management services US\$ '000	Eliminations US\$ '000	
Net revenues from external customers	1,317	3,575	1,909	129	-	6,930
Income from investments	1,440	-	-	-	-	1,440
Share of (loss) / profit from investment in joint ventures and associates	(349)	-	125	-	-	(224)
Other income	213	55	766	5	-	1,039
Total revenue	2,621	3,630	2,800	134	-	9,185
Segment profit	261	2,541	2,533	55	-	5,390

(b) Segment information relating to the interim consolidated statement of financial position as at 30 June 2017 and 31 December 2016 is disclosed as follows:

	30 June 2017 - Reviewed					Total US\$ '000
	Investment and related services US\$ '000	Construction contracts US\$ '000	Development and sale of industrial plots US\$ '000	Property and facility management services US\$ '000	Eliminations US\$ '000	
Segment assets	277,161	77,494	72,647	1,524	(153,119)	275,707
Segment liabilities	54,569	46,145	55,528	30	(28,551)	127,721

	31 December 2016- Audited					Total US\$ '000
	Investment and related services US\$ '000	Construction contracts US\$ '000	Development and sale of industrial plots US\$ '000	Property and facility management services US\$ '000	Eliminations US\$ '000	
Segment assets	246,248	71,286	60,973	1,466	(117,118)	262,855
Segment liabilities	49,498	40,774	55,193	34	(20,768)	124,731

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

22 CONTINGENCIES AND COMMITMENTS

The Group has the following credit related commitments:

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Guarantees	23,980	27,578

The Group has the following operating lease commitments:

	<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Future minimum lease payments:		
Within one year	477	482
After one year but not more than five years	718	933
Total	1,195	1,415

23 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 June 2017, the carrying value of such assets is US\$ 181 million (31 December 2016: US\$ 189 million).