

**United Gulf Investment Corporation
B.S.C.**

Interim condensed consolidated
financial statements for the nine
months ended 30 September 2018
(Unaudited)

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated financial statements for the nine months ended
30 September 2018
(Unaudited)

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United Gulf Investment Corporation B.S.C.
Administration and contact details as at 30 September 2018

Commercial registration no.	24377 obtained on 18 February 1991	
Board of Directors	Rashed Abdulla Al Suwaiket Al-Hajri Sulaiman Ahmed Saeed Al-Houqani Abdulla Fahad Al-Subaie Abdulla Mubarak Abdulla Al-Suwaiket Waleed Fahad Al-Tharman	Chairman
Authorised persons	Rashed Abdulla Al Suwaiket Al Hajri Qusay Khalil Yusuf Al-Khalili	
Chief Executive Officer and Secretary to the Board	Qusay Khalil Yusuf Al-Khalili	
Audit Committee	Rashed Abdulla Al Suwaiket Al Hajri Waleed Fahad Al-Tharman	Chairman
Registered office	Office 3202, Building 2504 Road 2832, Block 428 PO Box 10177 Al-Seef District Kingdom of Bahrain	
Principal Bankers	Ahli United Bank Arab National Bank - Dammam Ithmar Bank	
Auditors	BDO 17 th Floor Diplomat Commercial Offices Tower PO Box 787 Manama Kingdom of Bahrain	
Registrar	Karvy Computershare W.L.L. PO Box 514 Manama Kingdom of Bahrain	

Report on the review of interim condensed consolidated financial statements to the Board of Directors of United Gulf Investment Corporation B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Investment Corporation B.S.C. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the interim condensed consolidated statement of financial position as at 30 September 2018, the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in shareholders' equity and the interim condensed consolidated statement of cash flows for the nine months then ended and selected explanatory notes. The management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "*Interim Financial Reporting*". 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 condensed 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 do not present fairly, in all material respects, the interim condensed consolidated financial position of the Group as at 30 September 2018, and its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with International Accounting Standard 34 - "*Interim Financial Reporting*".




Manama, Kingdom of Bahrain
7 November 2018



United Gulf Investment Corporation B.S.C.
Interim condensed consolidated financial statements for the nine months ended
30 September 2018 (Unaudited) (Expressed in Bahrain Dinars)

	Notes	30 September 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	5	37,838,279	39,736,965
Investment in an associate	6	<u>907,647</u>	<u>886,548</u>
		38,745,926	40,623,513
Current assets			
Financial assets at fair value through profit or loss	8	256,000	256,000
Inventories	9	16,897,138	17,357,933
Trade and other receivables		7,361,928	5,629,782
Mudaraba deposits		2,142,934	2,195,717
Cash and bank balances	10	<u>8,931,756</u>	<u>8,167,224</u>
		35,589,756	33,606,656
Total assets		<u>74,335,682</u>	<u>74,230,169</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	20,000,000	20,000,000
Statutory reserve		2,853,603	2,853,603
Share premium		116,328	116,328
Other reserves		<u>7,335,596</u>	<u>7,182,182</u>
Equity attributable to shareholders of the parent company		30,305,527	30,152,113
Non-controlling interest	12	<u>7,506,127</u>	<u>7,443,888</u>
		37,811,654	37,596,001
Non-current liabilities			
Non-current portion of term loans	13	27,719,188	28,527,188
Employees' terminal benefits		<u>568,820</u>	<u>544,668</u>
		28,288,008	29,071,856
Current liabilities			
Current portion of term loans	13	2,462,546	2,929,000
Trade and other payables	14	<u>5,773,474</u>	<u>4,633,312</u>
		8,236,020	7,562,312
Total equity and liabilities		<u>74,335,682</u>	<u>74,230,169</u>

The unaudited interim condensed consolidated financial statements, set out on pages 4 to 19, was approved and authorised for issue by the Board of Directors on 7 November 2018 and signed on their behalf by:


Rashed Al-Suwaiket
Chairman

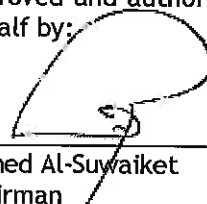

Abdulla Fahad Al-Subaie
Vice - Chairman

United Gulf Investment Corporation B.S.C.

Interim condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2018 (Unaudited) (Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Three months ended 30 September 2018	Three months ended 30 September 2017
Sales		34,492,832	36,551,289	9,652,743	15,828,680
Cost of sales		(32,513,823)	(33,062,773)	(9,079,544)	(14,118,750)
Gross profit		1,979,009	3,488,516	573,199	1,709,930
Other income	15	99,799	121,439	43,190	31,392
		<u>2,078,808</u>	<u>3,609,955</u>	<u>616,389</u>	<u>1,741,322</u>
Expenses					
Indirect expenses		(1,119,548)	(1,016,046)	(378,817)	(362,355)
Finance costs		(179,053)	(169,612)	(24,310)	(29,738)
		<u>(1,298,601)</u>	<u>(1,185,658)</u>	<u>(403,127)</u>	<u>(392,093)</u>
Net profit for the period before tax and share of profit from investment in an associate		780,207	2,424,297	213,262	1,349,229
Share of profit/(loss) from investment in an associate	6	21,099	-	(13,238)	-
Net profit for the period before tax		801,306	2,424,297	200,024	1,349,229
Provision for Zakat		(585,653)	(1,491,801)	(121,336)	(749,401)
Net profit and other comprehensive income for the period		<u>215,653</u>	<u>932,496</u>	<u>78,688</u>	<u>599,828</u>
Net profit attributable to:					
Shareholders of the Company		153,414	460,968	52,834	333,021
Non-controlling interest	12	62,239	471,528	25,854	266,807
		<u>215,653</u>	<u>932,496</u>	<u>78,688</u>	<u>599,828</u>
Basic and diluted earnings per share attributable to the shareholders of the Company	16	<u>0.77 fils</u>	<u>2.30 fils</u>	<u>0.26 fils</u>	<u>1.67 fils</u>
Total comprehensive income attributable to:					
Shareholders of the Company		153,414	460,968	52,834	333,021
Non-controlling interest	12	62,239	471,528	25,854	266,807
		<u>215,653</u>	<u>932,496</u>	<u>78,688</u>	<u>599,828</u>

The unaudited interim condensed consolidated financial statements, set out on pages 4 to 19, was approved and authorised for issue by the Board of Directors on 7 November 2018 and signed on their behalf by:


Rashed Al-SuwaiKet
Chairman


Abdulla Fahad Al-Subaie
Vice - Chairman

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated statement of changes in shareholders' equity for the nine months ended 30 September 2018
(Unaudited)
(Expressed in Bahrain Dinars)

	Equity attributable to shareholders of the Parent Company							Non-controlling interest	Total
	Share capital	Statutory reserve	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total		
At 31 December 2016 (audited)	20,000,000	2,853,603	116,328	4,329,043	-	3,045,076	30,344,050	7,493,487	37,837,537
Total comprehensive income for the period	-	-	-	-	-	460,968	460,968	471,528	932,496
At 30 September 2017 (unaudited)	20,000,000	2,853,603	116,328	4,329,043	-	3,506,044	30,805,018	7,965,015	38,770,033
At 31 December 2017 (audited)	20,000,000	2,853,603	116,328	4,329,043	-	2,853,139	30,152,113	7,443,888	37,596,001
Total comprehensive income for the period	-	-	-	-	-	153,414	153,414	62,239	215,653
At 30 September 2018 (unaudited)	20,000,000	2,853,603	116,328	4,329,043	-	3,006,553	30,305,527	7,506,127	37,811,654

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated statement of cash flows for the nine months ended
30 September 2018
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Operating activities			
Net profit for the period		215,653	932,496
Adjustments for:			
Depreciation	5	1,992,764	1,885,857
Share of profit from investment in an associate	6	(21,099)	-
Dividend income	15	-	(80,580)
Bank interest income	15	(68,571)	(31,792)
Finance costs		179,053	169,612
Changes in operating assets and liabilities:			
Inventories		460,795	7,185,011
Trade and other receivables		(1,732,146)	(8,198,191)
Trade and other payables		1,140,162	1,756,806
Employees' terminal benefits, net		<u>24,152</u>	<u>9,584</u>
Net cash provided by operating activities		<u>2,190,763</u>	<u>3,628,803</u>
Investing activities			
Purchase of property, plant and equipment	5	(94,078)	(25,088)
Bank interest income received	15	68,571	31,792
Dividend income received	15	-	80,580
Net movement in Mudaraba deposits		<u>52,783</u>	<u>-</u>
Net cash provided by investing activities		<u>27,276</u>	<u>87,284</u>
Financing activities			
Finance costs paid		(179,053)	(169,612)
Net movement in term loans		<u>(1,274,454)</u>	<u>(860,716)</u>
Net cash used in financing activities		<u>(1,453,507)</u>	<u>(1,030,328)</u>
Net increase in cash and cash equivalents		764,532	2,685,759
Cash and cash equivalents, beginning of the period		<u>8,167,224</u>	<u>7,127,283</u>
Cash and cash equivalents, end of the period	10	<u>8,931,756</u>	<u>9,813,042</u>

United Gulf Investment Corporation B.S.C.
Selected explanatory notes to the interim condensed consolidated financial statements for the nine months ended 30 September 2018
(Unaudited)
(Expressed in Bahrain Dinars)

1 Organisation and activities

United Gulf Investment Corporation B.S.C. (“the Company”) and its subsidiaries (collectively referred as “the Group”) is a public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 24377 obtained on 18 February 1991.

According to the terms of its Memorandum and Articles of Association, the duration of the Company is for 50 years, renewable for further similar periods unless terminated earlier by the operation of law or as provided for in the Memorandum and Articles of Association.

The principal activities of the Company include property leasing, buying and selling of properties for the Company, third grade industrial maintenance works, selling and buying of shares and securities for the Company and investment in local industrial projects.

The Company’s registered office is in the Kingdom of Bahrain.

2 Structure of the Group

The structure of the Group is as follows:

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest as at 30 September</u>	<u>Non-controlling interest ownership/ voting interest as at 30 September</u>
Gulf Ferro Alloys Company (SABAYEK) W.L.L.	Kingdom of Saudi Arabia	75.68% (31 December 2017: 75.68%)	24.32% (31 December 2017: 24.32%)
United Gulf Trading S.P.C.	Kingdom of Bahrain	100% (31 December 2017: 100%)	- (31 December 2017: Nil)

The above total assets and net profit for the period of the subsidiaries have been extracted from the unaudited interim management accounts of the respective subsidiaries for the nine months ended 30 September 2018.

3 Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 - “Interim Financial Reporting”. The interim condensed consolidated financial information should therefore be read in conjunction with the annual audited consolidated financial statements prepared as at, and for the year ended, 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards.

The preparation of interim condensed consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group’s accounting policies.

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the nine months ended 30 September 2018
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3 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2018

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2018 and has been adopted in the preparation of these interim condensed consolidated financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 40	Investment properties	1 July 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

The impact of the adoption of IFRS 9 and 15 and related new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Standards, amendments and interpretations issued and effective in 2018 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2018 or subsequent periods, but is not relevant to the Group's operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 28	Investments in associates and joint ventures	1 January 2018
IFRS 1	First-time adoption of international financial reporting standards	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

Improvements to IFRS/IAS 2014/2016 and 2015/2017 cycles

Improvements to IFRS/IAS issued in 2014/2016 and 2015/2017 cycles contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Group's annual audited consolidated financial statements beginning on or after 1 January 2019 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

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3 Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective in 2018

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial period ended 30 September 2018. They have not been adopted in preparing the interim condensed consolidated financial statements for the period ended 30 September 2018 and will or may have an effect on the entity's future consolidated financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IFRS 3	Business combinations	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

There would have been no change in the operational results of the Group for the period ended 30 September 2018 had the Group early adopted any of the above standards applicable to the Group, except for IFRS 16, the impact of which is being assessed by the Group.

Early adoption of amendments or standards in 2018

The Group did not early-adopt any new or amended standards in 2018.

4 Accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the annual audited consolidated financial statements of the Group prepared as at, and for the year ended 31 December 2017, as described in those annual audited consolidated financial statements except for those changed due to adoption of IFRS 9 and 15.

IFRS 9 - "Financial Instruments"

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 has resulted in changes in accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial statements. The new accounting policies are set out below. Further, in accordance with the exemptions available as per the transitional provisions in IFRS 9 in respect of retrospective application, the comparative figures have not been restated and the impact being recorded in the current period's opening retained earnings.

4 Accounting policies (continued)

Investments and other financial assets - classification and measurement

The Group classifies its financial assets in the following measurement categories:

1. Fair value through profit or loss, and
2. Amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held-for-trading, fair value gains and losses recognition will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments under amortised cost representing financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. If there are any impairment losses, those are presented in the interim condensed consolidated statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in the interim condensed consolidated statement of profit or losses, as applicable.

From 1 January 2018, the Group assesses on a forward looking basis, the expected credit losses associated with its trade receivables and debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Investments and other financial assets - impact of adoption

Financial assets at fair value through profit or loss

Equity securities are measured at fair value and all changes in fair value are recognised in the interim condensed consolidated statement of profit or loss under IFRS 9. There was no impact on the amounts recognized in relation to these assets from the adoption of IFRS 9 as previously these were also classified at fair value through profit or loss as allowed under IAS 39.

4 Accounting policies (continued)

IFRS 15 - "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Performance obligations and timing of revenue recognition

The majority of the Group's revenue is derived from selling goods with revenue recognised at a point in time when the control of goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgment needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most of the contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

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5 Property, plant and equipment

Additions to property, plant and equipment during the nine month period ended 30 September 2018 amounted to BD94,078 (31 December 2017: BD409,950). There were no disposals of property, plant and equipment during the nine month period ended 30 September 2018 (31 December 2017: BDNil).

The depreciation charged for the nine months ended 30 September 2018 amounted to BD1,992,764 (30 September 2017: BD1,885,857).

The Group operates from premises rented at a monthly rent of BD1,707 (30 September 2017: BD1,631 per month).

The property, plant and equipment are subject to term loans (Note 13).

6 Investment in an associate

	30 September <u>2018</u>	31 December <u>2017</u>
Opening balance	886,548	-
Transferred from available-for-sale investments (Note 7)	-	861,337
Dividends received during the year (Note 15)	-	(80,580)
Share of profit for the period/year	<u>21,099</u>	<u>105,791</u>
Closing balance	<u>907,647</u>	<u>886,548</u>

The Group's share in the net assets and results of operations of the associate has been extracted from unaudited management accounts prepared as at, and for the nine months ended, 30 September 2018 and year ended 31 December 2017.

During 2017, the Group has gained significant influence over the associate due to change in the composition of the associate's key management personnel. Accordingly, this investment has been re-classified as investment in an associate.

7 Available-for-sale investments

	30 September <u>2018</u>	31 December <u>2017</u>
Opening balance	-	861,337
Transferred during the year (Note 6)	<u>-</u>	<u>(861,337)</u>
Closing balance	<u>-</u>	<u>-</u>

During 2017, the Group has gained significant influence over the associate due to change in the composition of the associate's key management personnel. Accordingly, this investment was re-classified as investment in an associate (Note 6).

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8	Financial assets at fair value through profit or loss	30 September <u>2018</u>	31 December <u>2017</u>
	Opening and closing balance	<u>256,000</u>	<u>256,000</u>
9	Inventories	30 September <u>2018</u>	31 December <u>2017</u>
	Raw materials	5,356,192	6,385,219
	Finished goods and work-in-process	9,073,195	8,670,317
	Consumable spares	<u>2,467,751</u>	<u>2,302,397</u>
		<u>16,897,138</u>	<u>17,357,933</u>
10	Cash and bank balances	30 September <u>2018</u>	31 December <u>2017</u>
	Balances in call and current accounts with banks	8,930,215	8,162,592
	Cash on hand	<u>1,541</u>	<u>4,632</u>
		<u>8,931,756</u>	<u>8,167,224</u>
11	Share capital	30 September <u>2018</u>	31 December <u>2017</u>
	Authorised 400,000,000 (2017: 400,000,000) shares of 100 fils each	<u>40,000,000</u>	<u>40,000,000</u>
	Issued and fully paid-up 200,000,000 (2017: 200,000,000) shares of 100 fils each	<u>20,000,000</u>	<u>20,000,000</u>
12	Non-controlling interest	30 September <u>2018</u>	31 December <u>2017</u>
	Opening balance	7,443,888	7,493,487
	Share of non-controlling interest in the total comprehensive income/(loss) of the subsidiaries	<u>62,239</u>	<u>(49,599)</u>
	Closing balance	<u>7,506,127</u>	<u>7,443,888</u>

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13 Term loans

30 September
2018

31 December
2017

Saudi Industrial Development Fund

In 1996, SABAYEK, a subsidiary of the Company, obtained a long-term loan from SIDF amounting to SAR323 million by pledging the property, plant and equipment of the subsidiary and the guarantee of the subsidiary's major shareholders against the loan. The total withdrawal against this loan amounted to SAR319 million.

The loan agreement initially stated that the loan should be repaid in 16 instalments starting from 28 July 1999 and on ending 8 October 2006.

Subsequently, the subsidiary negotiated with SIDF for the extension of the repayment schedule of the loan to a later period. SIDF accepted the subsidiary's proposal and extended the loan repayment period to 35 years beginning from 17 April 2008, with half yearly intervals, vide their letter dated 7/11/1427 Hijri (Arabic date).

21,119,100 21,624,100

Saudi Electric Company

Payable to SEC includes payable by SABAYEK towards substation amounting to SAR23 million and payables towards electricity charges amounting to SAR8 million. Due to cash shortage, the subsidiary could not pay the dues towards the usage of electricity charges to SEC on time. The management renegotiated with SEC for instalment payments against energy bills to which SEC agreed. At the end of 2016, SABAYEK agreed to make instalment payments for its 2015 and 2016 liabilities where SABAYEK is required to pay SAR 1 million each month 'till October 2017, SAR1.5 million from November 2017 to October 2018, SAR2 million from November 2018 to March 2021 including the final instalment of SAR1.1 million in accordance with the repayment schedule.

9,062,634 9,832,088

30,181,734 31,456,188

Less: current portion of term loans

(2,462,546) (2,929,000)

Non-current portion of term loans

27,719,188 28,527,188

That portion of the term loans which is repayable within one year from the interim condensed consolidated statement of financial position date is disclosed as current portion of term loans.

In the Group management's opinion, the fair values of the long-term loans are not significantly different from their carrying values as at 30 September 2018 and 31 December 2017.

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14 Trade and other payables

	30 September <u>2018</u>	31 December <u>2017</u>
Trade payables	1,726,165	1,275,142
Accruals and other payables	<u>4,047,309</u>	<u>3,358,170</u>
	<u>5,773,474</u>	<u>4,633,312</u>

Trade payables are normally settled within 30 days from the suppliers' invoice date.

The accruals and other payables include Zakat and income tax payable by the subsidiary. In accordance with Saudi Organisation for Certified Public Accountants (SOCPA) Accounting Standard No.11 for Zakat and Income tax, a uniform presentation has been set for Zakat and Income tax due by companies with mixed Saudi and foreign partners, which is charged directly to the statement of profit or loss and other comprehensive income.

The foreign capital investment regulations of Saudi Arabia exempt the foreign partners from income tax for a period of ten years commencing from the starting date of commercial production.

As at 30 September 2018, the liability for Zakat and income tax payable amounted to BD363,300 (31 December 2017: BD1,017,832 equivalent to SAR10,077,545).

15 Other income

	Nine months ended 30 September <u>2018</u>	Nine months ended 30 September <u>2017</u>	Three months ended 30 September <u>2018</u>	Three months ended 30 September <u>2017</u>
Bank interest income	68,571	31,792	37,755	31,392
Dividend income	-	80,580	-	-
Miscellaneous income	<u>31,228</u>	<u>9,067</u>	<u>5,435</u>	<u>-</u>
	<u>99,799</u>	<u>121,439</u>	<u>43,190</u>	<u>31,392</u>

16 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

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16 Earnings per share (continued)

	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Three months ended 30 September 2018	Three months ended 30 September 2017
Net profit attributable to shareholders of the Parent Company	<u>153,414</u>	<u>460,968</u>	<u>52,834</u>	<u>333,021</u>
Weighted average number of ordinary shares in issue during the period	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Basic and diluted earnings per share	<u>0.77 fils</u>	<u>2.30 fils</u>	<u>0.26 fils</u>	<u>1.67 fils</u>

17 Related parties transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders, key management personnel and their close family members and such other companies over which the Group or its shareholders, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. The Group's transactions with related parties are authorised by the management. Further, there are no loans due from any of the Directors of the Group and there are no related party transactions during the period.

Key management personnel compensation

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group including the Chief Executive Officer of the Group.

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Remuneration to key management personnel	<u>8,244</u>	<u>6,900</u>

A summary of significant transactions with the associate:

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Share of profit for the year (Note 6)	<u>21,099</u>	<u>-</u>

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18 Segmental information

The Group's primary segment reporting format is 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.

The Group's primary business segments are:

- smelting;
- investment income-foreign; and
- investment income-domestic.

As at and for the nine month period ended 30 September 2018

	<u>Smelting</u>	<u>Investments</u>	<u>Others</u>	<u>Total</u>
Sales - Third party transactions	34,492,832	-	-	34,492,832
Operating costs	<u>(32,513,823)</u>	-	-	<u>(32,513,823)</u>
Operating profit	1,979,009	-	-	1,979,009
Other income	31,228	5,434	63,137	99,799
Share of profit in an associate	-	21,099	-	21,099
Other expenses	<u>(1,745,322)</u>	-	<u>(129,932)</u>	<u>(1,884,254)</u>
Net profit/(loss) for the period	<u>255,915</u>	<u>26,533</u>	<u>(66,795)</u>	<u>215,653</u>
Assets and liabilities				
Total segment assets	<u>66,393,301</u>	-	<u>7,942,381</u>	<u>74,335,682</u>
Total segment liabilities	<u>32,640,775</u>	-	<u>3,883,253</u>	<u>36,524,028</u>

For the nine months period ended 30 September 2017 and as at 31 December 2017

	<u>Smelting</u>	<u>Foreign investments</u>	<u>Other</u>	<u>Total</u>
Sales - Third party transactions	36,551,289	-	-	36,551,289
Operating costs	<u>(33,062,773)</u>	-	-	<u>(33,062,773)</u>
Operating profit	3,488,516	-	-	3,488,516
Other income	9,067	112,372	-	121,439
Other expenses	<u>(1,558,734)</u>	-	<u>(1,118,725)</u>	<u>(2,677,459)</u>
Net profit/(loss) for the period	<u>1,938,849</u>	<u>112,372</u>	<u>(1,118,725)</u>	<u>932,496</u>
Assets and liabilities				
Total segment assets	<u>66,236,383</u>	-	<u>7,993,786</u>	<u>74,230,169</u>
Total segment liabilities	<u>35,622,356</u>	-	<u>1,011,812</u>	<u>36,634,168</u>

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18 Segmental information (continued)

The Group's secondary reporting format is geographic segment which is based on the geographical location of the Group's operations. The Group mainly operates in:

- Kingdom of Bahrain; and
- Kingdom of Saudi Arabia.

	<u>Segment assets</u>		<u>Segment liabilities</u>	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Kingdom of Bahrain	7,942,381	7,993,786	1,001,657	1,011,812
Kingdom of Saudi Arabia	<u>66,393,301</u>	<u>66,236,383</u>	<u>35,522,371</u>	<u>35,622,356</u>
	<u>74,335,682</u>	<u>74,230,169</u>	<u>36,524,028</u>	<u>36,634,168</u>

19 Dividends

The Board of Directors do not propose to pay any dividends during the period ended 30 September 2018 (31 December 2017: BDNil).

20 Interim results

The interim condensed consolidated net profit and other comprehensive income for the nine months ended 30 September 2018 may not be represent a proportionate share of the annual consolidated net profit and other comprehensive income.

21 Events after the reporting period

There were no events occurring subsequent to 30 September 2018 and before the date of the report that are expected to have a significant impact on these interim condensed consolidated financial information.