

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

**Interim condensed consolidated
financial statements for the three
months ended 31 March 2016
(Unaudited)**

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated financial statements for the three months ended
31 March 2016
(Unaudited)

Index	Page
1. Administration and contact details	2
2. Independent auditor's review report	3
3. Interim condensed consolidated statement of financial position	4
4. Interim condensed consolidated statement of profit or loss and other comprehensive income	5
5. Interim condensed consolidated statement of changes in shareholders' equity	6
6. Interim condensed consolidated statement of cash flows	7
7. Selected explanatory notes to the interim condensed consolidated financial statements	8 - 17

United Gulf Investment Corporation B.S.C.
Administration and contact details as at 31 March 2016

Commercial registration no.	24377 obtained on 18 February 1991	
Board of Directors	Rashed Al Suwaiket Waleed Al-Tharman Abdulla Fahad. Al-Subaie Abdulla Mubarak Abdulla Al-Suwaiket Sulaiman Ahmed Saeed Al-Houqani	Chairman
Authorised persons	Rashed Al Suwaiket Qusay Khalil Yusuf Al-Khalili	
Chief Executive Officer and Secretary to the Board	Qusay Khalil Yusuf Al-Khalili	
Audit Committee	Rashed Al Suwaiket Waleed Al-Tharman	- Chairman
Registered office	Office No. 3202, Building No. 2504 Road No. 2832, Block No. 428 Po Box 10177 Al-Seeef District Kingdom of Bahrain	
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	
Registrars	Fakhro Karvy Computershare W.L.L. PO Box 514 Manama Kingdom of Bahrain	

Review report on the 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 subsidiary (collectively referred to as "the Group"), which comprise the interim condensed consolidated statement of financial position as at 31 March 2016, 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 three 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 consolidated financial statements consists of making enquiries, 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 31 March 2016, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with International Accounting Standard 34 - *"Interim Financial Reporting"*.




Manama, Kingdom of Bahrain
11 May 2016

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated statement of financial position as at 31 March 2016
(Unaudited) (Expressed in Bahrain Dinars)

	Notes	31 March 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	43,144,738	43,864,617
Investment in an associate	5	805,057	841,445
		<u>43,949,795</u>	<u>44,706,062</u>
Current assets			
Financial assets at fair value through profit or loss	6	256,000	256,000
Inventories	7	22,615,333	18,720,407
Trade and other receivables		5,359,182	5,217,494
Cash and cash equivalents	8	6,287,856	7,903,969
		<u>34,518,371</u>	<u>32,097,870</u>
Total assets		<u>78,468,166</u>	<u>76,803,932</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	20,000,000	20,000,000
Statutory reserve		2,837,141	2,805,393
Share premium		116,328	116,328
Retained earnings		6,795,053	6,509,318
Equity attributable to shareholders of the parent company		29,748,522	29,431,039
Non-controlling interest	10	8,017,151	7,924,401
		<u>37,765,673</u>	<u>37,355,440</u>
Non-current liabilities			
Non-current portion of term loans	11	30,771,101	29,017,822
Employees' terminal benefits		496,504	495,893
		<u>31,267,605</u>	<u>29,513,715</u>
Current liabilities			
Current portion of term loans	11	2,706,800	2,706,800
Trade and other payables	12	6,728,088	7,227,977
		<u>9,434,888</u>	<u>9,934,777</u>
Total equity and liabilities		<u>78,468,166</u>	<u>76,803,932</u>

The unaudited interim condensed consolidated financial statements, set out on pages 4 to 17, was approved and authorised for issue by the Board of Directors on 11 May 2016 and signed on their behalf by:


Rashed Al-Suwaiket
Chairman



Abdullah F. Al-Subaie
Director

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated statement of profit or loss and other comprehensive income
for the three months ended 31 March 2016
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Subsidiary sales		2,904,612	7,000,409
Subsidiary cost of sales		<u>(2,181,595)</u>	<u>(7,061,206)</u>
Subsidiary gross profit/(loss)		723,017	(60,797)
Investment income	13	<u>-</u>	<u>1,156</u>
		<u>723,017</u>	<u>(59,641)</u>
Expenses			
Indirect expenses		(294,422)	(457,345)
Finance costs		<u>(66,285)</u>	<u>(22,935)</u>
		<u>(360,707)</u>	<u>(480,280)</u>
Net profit /(loss) for the period before Zakat and share of profit from investment in an associate		362,310	(539,921)
Share of profit from investment in an associate	5	<u>78,223</u>	<u>23,025</u>
Net profit/(loss) for the period before tax		440,533	(516,896)
Provision for Zakat		<u>(30,300)</u>	<u>(126,250)</u>
Net profit/(loss) and total comprehensive income/(loss) the period		<u>410,233</u>	<u>(643,146)</u>
Net profit/(loss) attributable to:			
Shareholders of the Parent Company		317,483	(502,983)
Non-controlling interest	10	<u>92,750</u>	<u>(140,163)</u>
		<u>410,233</u>	<u>(643,146)</u>
Basic and diluted earnings/(loss) per share	14	<u>1.59 fils</u>	<u>(2.51 fils)</u>
Total comprehensive income attributable to:			
Shareholders of the Parent Company		317,483	(502,983)
Non-controlling interest	10	<u>92,750</u>	<u>(140,163)</u>
		<u>410,233</u>	<u>(643,146)</u>

The unaudited interim condensed consolidated financial statements, set out on pages 4 to 17, was approved and authorised for issue by the Board of Directors on 11 May 2016 and signed on their behalf by:


Rashed Al-Suwanket
Chairman


Abdullatif F. Al-Subaie
Director

United Gulf Investment Corporation B.S.C.

Interim condensed consolidated statement of changes in shareholders' equity for the three months ended 31 March 2016
(Unaudited)

(Expressed in Bahrain Dinars)

	Equity attributable to shareholders of the Parent Company						Non-controlling interest	Total
	Share capital	Statutory reserve	Share premium	Retained earnings	Total	Total		
At 31 December 2014	20,000,000	2,805,393	116,328	10,259,581	33,181,302	9,981,110	43,162,412	
Total comprehensive income for the period	-	-	-	(502,983)	(502,983)	(140,163)	(643,146)	
At 31 March 2015	20,000,000	2,805,393	116,328	9,756,598	32,678,319	9,840,947	42,519,266	
Net movement during the period	-	-	-	594,935	594,935	(594,935)	-	
Total comprehensive income for the period	-	-	-	(3,842,215)	(3,842,215)	(1,321,611)	(5,163,826)	
At 31 December 2015	20,000,000	2,805,393	116,328	6,509,318	29,431,039	7,924,401	37,355,440	
Total comprehensive income for the period	-	-	-	317,483	317,483	92,750	410,233	
Transferred to statutory reserve	-	31,748	-	(31,748)	-	-	-	
At 31 March 2016	20,000,000	2,837,141	116,328	6,795,053	29,748,522	8,017,151	37,765,673	

United Gulf Investment Corporation B.S.C.
Interim condensed consolidated statement of cash flows for the three months ended
31 March 2016
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Three months ended 31 March <u>2016</u>	Three months ended 31 March <u>2015</u>
Operating activities			
Net profit/(loss) for the period		410,233	(643,146)
Adjustments for:			
Depreciation	4	720,667	745,397
Share of profit from investment in an associate	5	(78,223)	(23,025)
Bank interest income	13	-	(1,156)
Finance costs		66,285	22,935
Changes in operating assets and liabilities:			
Inventories		(3,894,926)	(327,752)
Trade and other receivables		(141,688)	(577,541)
Trade and other payables		(499,889)	(405,956)
Employees' terminal benefits, net		<u>611</u>	<u>2,416</u>
Net cash used in by operating activities		<u>(3,416,930)</u>	<u>(1,207,828)</u>
Investing activities			
Purchase of property, plant and equipment	4	(788)	(53,368)
Dividend received from an associate	5	114,611	127,406
Bank interest income received	13	<u>-</u>	<u>1,156</u>
Net cash provided by investing activities		<u>113,823</u>	<u>75,194</u>
Financing activities			
Finance costs paid		(66,285)	(22,935)
Net movement in term loans		<u>1,753,279</u>	<u>(121,051)</u>
Net cash provided by/(used in) financing activities		<u>1,686,994</u>	<u>(143,986)</u>
Net decrease in cash and cash equivalents		(1,616,113)	(1,276,620)
Cash and cash equivalents, beginning of the period		<u>7,903,969</u>	<u>5,472,256</u>
Cash and cash equivalents, end of the period	8	<u>6,287,856</u>	<u>4,195,636</u>

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahrain Dinars)

1 Organisation and activities

United Gulf Investment Corporation B.S.C. ("the Company") and its subsidiary comprise "the Group." The Company 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:

Subsidiary:

<u>Name of the Subsidiary</u>	<u>Country of incorporation</u>	<u>Effective ownership interest as at</u>		<u>Total assets at 31 March 2016</u>	<u>Net profit for the three months ended 31 March 2016</u>
		<u>31 March 2016</u>	<u>31 March 2015</u>		
Gulf Ferro Alloys Company W.L.L. (SABAYEK)	Kingdom of Saudi Arabia	<u>75.68%</u>	<u>75.68%</u>	<u>70,419,333</u>	<u>409,439</u>

The above total assets and net profit for the period of the subsidiary have been extracted from the unaudited interim management accounts of the subsidiary for the three months ended 31 March 2016.

Associate:

<u>Name of the subsidiary</u>	<u>Country of Incorporation</u>	<u>Effective ownership interest as at</u>		<u>Total assets at 31 March 2016</u>	<u>Net loss for the three months ended 31 March 2016</u>
		<u>31 March 2016</u>	<u>31 March 2015</u>		
Dhahran Chemical Industries Marketing ("DCIM")	Kingdom of Saudi Arabia	<u>20%</u>	<u>20%</u>	<u>9,409,029</u>	<u>768,893</u>

The Group has a 20% shareholding in Dhahran Chemical Industries Marketing and the investment is considered as an investment in an associate. Accordingly, the results of operations and assets and liabilities have been recognised using the equity method of accounting, and has been based on unaudited interim management accounts of the associate for the three months ended 31 March 2016.

3 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". These do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group prepared as at, and for the year ended, 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards.

The Group has applied the same accounting policies and methods of computation in these interim condensed consolidated financial statements as in its annual consolidated financial statements for the year ended 31 December 2015, except for those that relate to new standards and interpretations effective for the first time for period beginning on (or after) 1 January 2016, and will be adopted in the 2016 annual consolidated financial statements.

Basis of presentation and functional currency

These interim condensed consolidated financial statements have been prepared using the going concern assumption and under the historical cost convention except for financial assets at fair value through profit or loss which are stated at their fair values and investment in an associate which is equity accounted. Bahrain Dinars is the Group's functional currency and also the currency in which the Company's share capital is denominated. Accordingly, these interim condensed consolidated financial statements have been prepared in Bahrain Dinars.

The preparation of interim condensed consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgment in applying the Group's accounting policies.

Improvements/amendments to IFRS/IAS 2012/2014 cycle

Improvements/amendments to IFRS/IAS issued in 2012/2014 cycle 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 2016 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations effective and adopted in 2016

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2016 and have been adopted in the preparation of the interim condensed consolidated financial statements:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 16	Property, plant and equipment	1 January 2016
IAS 34	Interim financial reporting	1 January 2016

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahrain Dinars)

3 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2016 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2016 or subsequent periods, but are 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 1	Presentation of Financial Statements	1 January 2016
IAS 19	Employee Benefits	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 38	Intangible Assets	1 January 2016
IAS 41	Agriculture	1 January 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
IFRS 7	Financial Instruments: Disclosures	1 January 2016
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests In Joint Operations	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016

Standards, amendments and interpretations issued but not yet effective in 2016

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2016 or subsequent periods have not been early adopted by the Group's management:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

There would have been no change in the operational results of the Group for the period ended 31 March 2016 had the Group early adopt any of the above standards applicable to the Group, except for IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" the impact of which is being assessed by the Group.

Early adoption of amendments or standards in 2016

The Group did not early-adopt any new or amended standards in 2016.

United Gulf Investment Corporation B.S.C.

Selected explanatory notes to the interim condensed consolidated financial statements for the three months ended 31 March 2016

(Unaudited)

(Expressed in Bahrain Dinars)

4 Property, plant and equipment

Additions to property, plant and equipment during the three month period ended 31 March 2016 amounted to BD788 (31 March 2015: BD53,368). There were no disposals of property, plant and equipment during the three month period ended 31 March 2016 (31 March 2015: BDNil).

The depreciation charged for the three months ended 31 March 2016 amounted to BD720,667 (31 March 2015: BD745,397)

The Group operates from premises rented at a monthly rent of BD1,631 (2015: BD1,631 per month).

The property, plant and equipment are subject to term loans (Note 11).

5 Investment in an associate

	31 March <u>2016</u>	31 December <u>2015</u>
Opening balance	841,445	800,846
Dividends received during the period/year	(114,611)	(386,306)
Share of profit for the period/year	<u>78,223</u>	<u>426,905</u>
Closing balance	<u>805,057</u>	<u>841,445</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 three months ended, 31 March 2016.

6 Financial assets at fair value through profit or loss

	31 March <u>2016</u>	31 December <u>2015</u>
Opening and closing balance	<u>256,000</u>	<u>256,000</u>

7 Inventories

	31 March <u>2016</u>	31 December <u>2015</u>
Raw materials	3,520,088	5,122,233
Finished goods and work-in-process	17,073,124	11,570,383
Consumable spares	<u>2,022,121</u>	<u>2,027,791</u>
	<u>22,615,333</u>	<u>18,720,407</u>

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the three
 months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahrain Dinars)

8 Cash and cash equivalents

	<u>31 March 2016</u>	<u>31 December 2015</u>
Fixed and Murabaha deposits	63,938	-
Balances in call and current accounts with banks	6,219,764	7,899,174
Cash on hand	<u>4,154</u>	<u>4,795</u>
	<u>6,287,856</u>	<u>7,903,969</u>

9 Share capital

	<u>31 March 2016</u>	<u>31 December 2015</u>
Authorised		
400,000,000 (2015: 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 (2015: 200,000,000) shares of 100 fils each	<u>20,000,000</u>	<u>20,000,000</u>

10 Non-controlling interest

	<u>31 March 2016</u>	<u>31 December 2015</u>
Opening balance	7,924,401	9,981,110
Net movement during the period/year	-	(594,935)
Share of non-controlling interest in the total comprehensive income/(loss) of the subsidiary	<u>92,750</u>	<u>(1,461,774)</u>
Closing balance	<u>8,017,151</u>	<u>7,924,401</u>

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the three
 months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahrain Dinars)

11 Term loans

	<u>31 March 2016</u>	<u>31 December 2015</u>
Saudi Industrial Development Fund		
In 1996, the subsidiary 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 shareholders against the loan. The total withdrawal against this loan amounted to SAR319 million. In 1996, the subsidiary obtained a long-term loan from		
The loan agreement initially stated that the loan should be repaid in 16 installments 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 32 years beginning from 17 April 2008, with half yearly intervals, vide their letter dated 7/11/1427 Hijri (Arabic date).	24,149,100	24,149,100
Saudi Electric Company		
The subsidiary negotiated with the SEC to grant it a power tariff concession of SAR 0.12 per KW/HR of electricity during the year 2011, and was granted power concession for the period of four years starting from 1 January 2010 to December 2014, accordingly the subsidiary shut down furnace for years 2011 and 2012.		
First power concessional agreement was received during the year 2011. This agreement was not signed by the subsidiary until January 2013.		
Due to cash shortage, the subsidiary could not pay the dues to SEC on time. The management negotiated with SEC for installment payments against energy bills to which SEC agreed. Total amount due to SEC at 31 December 2014 amounted to SAR57,389,864. The renegotiated amount as at 31 December 2014 being SAR33,706,500 is payable in 24 equal monthly instalments of SAR1,400,000 each starting 3 November 2014 and ending 3 October 2016.	<u>9,328,801</u>	<u>7,575,522</u>
Less: current portion of long-term loans	33,477,901 <u>(2,706,800)</u>	31,724,622 <u>(2,706,800)</u>
Non-current portion of long-term loans	<u>30,771,101</u>	<u>29,017,822</u>

That portion of the long-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.

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahrain Dinars)

12 Trade and other payables

	31 March <u>2016</u>	31 December <u>2015</u>
Trade payables	4,008,938	4,606,579
Accruals and other payables	<u>2,719,150</u>	<u>2,621,398</u>
	<u>6,728,088</u>	<u>7,227,977</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.

During the period ended 31 March 2016, the subsidiary's liability for Zakat and income tax payable amounted to BD161,095 (31 December 2015: BD240,059).

13 Investment income

	Three months ended 31 March <u>2016</u>	Three months ended 31 March <u>2015</u>
Interest income	<u>1,156</u>	<u>1,156</u>

14 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 , excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Three months Ended 31 March <u>2016</u>	Three months ended 31 March <u>2015</u>
Net profit/(loss) attributable to shareholders of the Parent Company	<u>317,483</u>	<u>(502,983)</u>
Weighted average number of ordinary shares in issue during the period	<u>200,000,000</u>	<u>200,000,000</u>
Basic and diluted earnings/(loss) per share	<u>1.59 fils</u>	<u>(2.51 fils)</u>

15 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.

Trading transactions, with customers or suppliers who are controlled or significantly influenced by the Directors of the Group, are conducted on an arm's length basis or on normal commercial terms. 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.

16 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 three month period ended 31 March 2016

	<u>Smelting</u>	<u>Investment</u>		<u>Total</u>
		<u>Foreign</u>	<u>Domestic</u>	
Third party transactions	2,904,612	-	-	2,904,612
Operating costs	<u>(2,181,595)</u>	<u>-</u>	<u>-</u>	<u>(2,181,595)</u>
Operating profit	723,017	-	-	723,017
Other expenses	(341,644)	-	(49,363)	(391,007)
Share of profit in an associate	<u>-</u>	<u>78,223</u>	<u>-</u>	<u>78,223</u>
Net profit for the period	<u>381,373</u>	<u>78,223</u>	<u>-</u>	<u>410,233</u>
Assets and liabilities				
Segment assets	75,525,903	1,881,206	256,000	77,663,109
Investment in an associate	<u>-</u>	<u>805,057</u>	<u>-</u>	<u>805,057</u>
Total segment assets	<u>75,525,903</u>	<u>2,686,263</u>	<u>256,000</u>	<u>78,468,166</u>
Total segment liabilities	<u>39,646,672</u>	<u>1,055,821</u>	<u>-</u>	<u>40,702,493</u>

United Gulf Investment Corporation B.S.C.
 Selected explanatory notes to the interim condensed consolidated financial statements for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahrain Dinars)

16 Segmental information (continued)

For the three months period ended 31 March 2015 and as at 31 December 2015

	<u>Smelting</u>	<u>Investment</u>		<u>Total</u>
		<u>Foreign</u>	<u>Domestic</u>	
Third party transactions	7,000,409	-	1,156	7,001,565
Operating costs	(7,061,206)	-	-	(7,061,206)
Operating profit	(60,797)	-	1,156	(59,641)
Other expenses	(515,531)	-	(90,999)	(606,563)
Share of profit in an associate	-	23,025	-	23,025
Net loss for the period	(576,328)	23,025	(89,843)	(643,146)
Assets and liabilities				
Segment assets	73,081,067	2,881,420	-	75,962,487
Investment in an associate	-	841,445	-	841,445
Total segment assets	73,081,067	3,722,865	-	76,803,932
Total segment liabilities	38,388,802	1,059,690	-	39,448,492

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>	
	<u>As at 31 March 2016</u>	<u>As at 31 December 2015</u>	<u>As at 31 March 2016</u>	<u>As at 31 December 2015</u>
Kingdom of Bahrain	3,747,856	3,442,774	1,055,821	1,059,961
Kingdom of Saudi Arabia	74,720,310	73,361,158	39,646,672	38,388,531
	<u>78,468,166</u>	<u>76,803,932</u>	<u>40,702,493</u>	<u>39,448,492</u>

17 Dividends

The Board of Directors do not propose to pay any dividends during the period ended 31 March 2016 (31 December 2015: BDNil).

18 Interim results

The interim consolidated net profit and other comprehensive income for the three months ended 31 March 2016 may not be represent a proportionate share of the annual consolidated net profit/(loss) and other comprehensive income/(loss) due to the variability in timing of the receipt of investment income.

19 Events after the reporting period

There were no events occurring subsequent to 31 March 2016 and before the date of the report that are expected to have a significant impact on these interim condensed consolidated financial information.