

Inovent B.S.C.

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

31 March 2019 (REVIEWED)

Inoest B.S.C.

Administration and contact details as at 31 March 2019

Commercial registration number

48848 obtained on 18 June 2002

Board of Directors

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

Chief Executive Officer

Yaser Hamad Al-jar

Board Secretary

Riyadh Mahmood Mulla Ahmed

Sharia'a Supervisory Board

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

Corporate Governance Committee members

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

Nomination and Remuneration Committee members

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

Audit and Risk Committee members

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

Inovest B.S.C.

Administration and contact details as at 31 March 2019

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

Bahrain Clear Company
BFH, Harbour Gate, 4th floor
P.O. Box 3203
Manama
Kingdom of Bahrain

In the name of Allah, The Beneficent, The Merciful

**Sharia Supervisory Board Report on the activities of INOVEST Company B.S.C
For the Three Months Period Ended on 31 March 2019**

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

To the Shareholders of INOVEST B.S.C “the Company”,
Acting as Sharia Supervisory Board “SSB” pursuant to the appointment resolution passed by the General Assembly of the Company and SSB meeting on Sunday dated 21/4/ 2019 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 Three Months Period Ended on 31 March 2019, 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 Three Months Period Ended on 31 March 2019 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 Dr. Dawoud Salman Bin Essa
Vice-Chairman

Shaikh Dr. Murad Bou Daia
Member



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 31 March 2019, and the related interim consolidated statements of income, changes in owners' equity, cash flows and sources and uses of charity fund for the three-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.



2 May 2019
Manama, Kingdom of Bahrain

Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019 (Reviewed)

| | | <i>Reviewed</i> | <i>Audited</i> |
|--|-------------|------------------|--------------------|
| | | 31 March | 31 December |
| | | 2019 | 2018 |
| | <i>Note</i> | US\$ '000 | US\$ '000 |
| ASSETS | | | |
| Cash and bank balances | 4 | 43,984 | 36,375 |
| Accounts receivable | 5 | 26,184 | 32,656 |
| Investments | 6 | 13,409 | 16,201 |
| Investment in a joint venture and associates | 7 | 88,371 | 88,500 |
| Investment in real estate | 8 | 77,342 | 80,786 |
| Property, plant and equipment | 9 | 10,657 | 11,146 |
| Other assets | 10 | 1,052 | 1,305 |
| TOTAL ASSETS | | 260,999 | 266,969 |
| LIABILITIES AND OWNERS' EQUITY | | | |
| Liabilities | | | |
| Other liabilities and accounts payable | 11 | 90,967 | 93,389 |
| Financing from a bank | 12 | 8,265 | 9,227 |
| Total liabilities | | 99,232 | 102,616 |
| Owners' Equity | | | |
| Share capital | | 114,604 | 114,604 |
| Less: Treasury shares | 13 | (1,239) | (1,239) |
| | | 113,365 | 113,365 |
| Reserves | | 3,358 | 3,358 |
| Retained earnings | | 17,049 | 19,808 |
| Equity attributable to Parents' shareholders | | 133,772 | 136,531 |
| Non-controlling interest | | 27,995 | 27,822 |
| Total owners' equity | | 161,767 | 164,353 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 260,999 | 266,969 |


Dr. Omar Salem Al Mulawa
Chairman


Bashar Naser Al Tuwaijri
Vice-Chairman


Yaser Hamad Al-Jar
Chief Executive Officer

The attached explanatory notes 1 to 22 form part of these interim condensed consolidated financial statements.

Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2019 (Reviewed)

| | Note | Three months ended | |
|--|------|--------------------|--------------|
| | | 31 March | |
| | | 2019 | 2018 |
| | | US\$ '000 | US\$ '000 |
| OPERATING INCOME | | | |
| Net income from construction contracts | | 1,185 | 2,590 |
| Income from investment in real estate | 14 | 4,425 | 1,363 |
| Income from investments | | 147 | - |
| Fee for management and other services | | (51) | 257 |
| Net share of loss from investment | | | |
| in a joint venture and associates | 7 | (129) | (121) |
| Other income | 15 | 168 | 1,124 |
| TOTAL OPERATING INCOME | | 5,745 | 5,213 |
| OPERATING EXPENSES | | | |
| Staff costs | | 1,512 | 1,046 |
| General and administrative expenses | | 783 | 647 |
| Property related expenses | | 399 | 212 |
| Financing costs | | 142 | 181 |
| Depreciation | 9 | 436 | 147 |
| TOTAL OPERATING EXPENSES | | 3,272 | 2,233 |
| NET OPERATING PROFIT | | 2,473 | 2,980 |
| Recoveries from impaired receivables | 16 | 721 | 382 |
| PROFIT FOR THE PERIOD | | 3,194 | 3,362 |
| Attributable to : | | | |
| Equity shareholders of the parent | | 3,021 | 2,986 |
| Non-controlling interest | | 173 | 376 |
| PROFIT FOR THE PERIOD | | 3,194 | 3,362 |
| BASIC AND DILUTED EARNINGS | | | |
| PER SHARE (US cents) | 18 | 1.07 | 1.06 |


 Dr. Omar Salem Al Mutawa
 Chairman


 Bashar Naser Al Tuwajri
 Vice-Chairman


 Yaser Hamad Al-Jar
 Chief Executive Officer

The attached explanatory notes 1 to 22 form part of these interim condensed consolidated financial statements.

Inovest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2019 (Reviewed)

| | Equity attributable to Parent's shareholders | | | | | | | |
|--------------------------------|--|------------------------------|--------------------------------|-----------------------------------|--------------------------------|---------------------------|---------------------------------------|-----------------------------------|
| | Share capital US\$ '000 | Treasury shares US\$ '000 | Reserves | | Retained earnings US\$ '000 | Total equity US\$ '000 | Non-controlling interest US\$ '000 | Total owners' equity US\$ '000 |
| | | | Statutory reserve US\$ '000 | Share option reserve US\$ '000 | | | | |
| At 1 January 2019 | 114,604 | (1,239) | 3,358 | - | 19,808 | 136,531 | 27,822 | 164,353 |
| Appropriation to charity funds | - | - | - | - | (50) | (50) | - | (50) |
| Dividend payable (note 19) | - | - | - | - | (5,730) | (5,730) | - | (5,730) |
| Profit for the period | - | - | - | - | 3,021 | 3,021 | 173 | 3,194 |
| At 31 March 2019 | 114,604 | (1,239) | 3,358 | - | 17,049 | 133,772 | 27,995 | 161,767 |
| At 1 January 2018 | 114,604 | (1,239) | 1,957 | 42 | 7,036 | 122,400 | 27,771 | 150,171 |
| Profit for the period | - | - | - | - | 2,986 | 2,986 | 376 | 3,362 |
| At 31 March 2018 | 114,604 | (1,239) | 1,957 | 42 | 10,022 | 125,386 | 28,147 | 153,533 |

The attached explanatory notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2019 (Reviewed)

| | Note | Three months ended | |
|---|------|--------------------|---------------|
| | | 31 March | |
| | | 2019 | 2018 |
| | | US\$ '000 | US\$ '000 |
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 3,194 | 3,362 |
| Adjustments for: | | | |
| Depreciation | 9 | 497 | 511 |
| Net share of loss from investment in a joint venture and associates | 7 | 129 | 121 |
| Gain on sale of investment in real estate | 14 | (3,196) | - |
| Recoveries from impaired receivables | 16 | (721) | (382) |
| | | (97) | 3,612 |
| Net changes in operating assets and liabilities: | | | |
| Short-term deposits (with an original maturity of more than 90 days) | | (5,912) | (1,591) |
| Accounts receivable | | 7,193 | 4,378 |
| Other assets | | 253 | 1,173 |
| Accounts payable | | (8,202) | (2,679) |
| Net cash (used in) / from operating activities | | (6,765) | 4,893 |
| INVESTING ACTIVITIES | | | |
| Proceeds from sale of investment in real estate | | 6,640 | - |
| Purchase of property, plant and equipment | 9 | (8) | (5) |
| Distributions received from an investment | 6 | 2,792 | - |
| Net cash from/(used in) investing activities | | 9,424 | (5) |
| FINANCING ACTIVITY | | | |
| Net movement in financing from a bank | | (962) | (913) |
| Net cash used in financing activity | | (962) | (913) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | 1,697 | 3,975 |
| Cash and cash equivalents at the beginning of the period | 4 | 36,243 | 21,540 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4 | 37,940 | 25,515 |
| Non cash transactions: | | | |
| Contributions payable by the company towards charity fund | | (50) | - |

Inovent B.S.C.

INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF
CHARITY FUND

For the three month period ended 31 March 2019 (Reviewed)

| | <i>Three months ended</i> | |
|---|---------------------------|------------------|
| | <i>31 March</i> | |
| | <i>2019</i> | <i>2018</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Sources of charity funds | | |
| Undistributed charity funds at the beginning of the period | - | - |
| Reversal of appropriation to charity funds | - | - |
| Contributions by the Company | 50 | - |
| Total sources of charity funds during the period | 50 | - |
| Uses of charity funds | | |
| Contributions for charitable purposes | - | - |
| Total uses of funds during the period | - | - |
| Undistributed charity funds at end of period | 50 | - |

The attached explanatory notes 1 to 22 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (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 Kuwait Stock Exchange.

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

b) Activities

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

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

The number of staff employed by the Group as at 31 March 2019 was 443 employee (31 December 2018: 589 employee).

The interim condensed consolidated financial statements for the three months ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors dated 2 May 2019.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2019 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 2018. 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 31 March 2019 (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 2018 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 2019</i> | <i>Ownership 2018</i> | <i>Country of incorporation</i> | <i>Year of incorporation</i> | <i>Activity</i> |
|--|-----------------------|-----------------------|---------------------------------|------------------------------|---|
| <i>Held directly by the Company</i> | | | | | |
| Al Khaleej Development Co. B.S.C. (c)* | 99.98% | 99.98% | Kingdom of Bahrain | 2009 | Purchase, sale, management and development of properties. |

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

| | | | | | |
|--|---------|---------|--------------------|------|--|
| <i>Held indirectly by the Company</i> | | | | | |
| 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 31 March 2019 (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 2019</i> | <i>Ownership 2018</i> | <i>Country of incorporation</i> | <i>Year of incorporation</i> | <i>Activity</i> |
|----------------------------------|-----------------------|-----------------------|---------------------------------|------------------------------|---|
| Eresco Tamcon JV B.S.C. (c)** | 100.00% | 100.00% | Kingdom of Bahrain | 2014 | Construction and maintenance of villas. |
| Panora Interiors S.P.C. | 100.00% | 100.00% | Kingdom of Bahrain | 2015 | Carpentry and joinery works. |
| BIW Labor Accomodation Co W.L.L. | 56.67% | 56.67% | Kingdom of Bahrain | 2007 | Buying, selling and management of properties. |

* The interim condensed consolidated financial statements of the subsidiaries have been consolidated as though the Company owns 100% of these subsidiaries, as the other shareholders hold their shares on behalf of and for the beneficial interest of the Group.

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

During 2014 Tamcon Contracting Co. B.S.C. (c) ("Tamcon") entered into a joint venture agreement with Enma Real Estate Company ("ERESCO") incorporating a new company namely ERESKO Tamcon JV B.S.C (c). As per the terms of the arrangement the paid-up share capital of the joint venture is BD 250,000 consisting of 250,000 shares of BD 1 each, out of which 125,000 shares i.e. 50% are held by ERESKO and 125,000 shares are held by Tamcon i.e. 50% as per the registration details. However, the entire share capital was paid by Tamcon. Further, the joint venture partners subsequently amended the terms of the arrangement via an agreement and the key responsibilities assigned to Tamcon are as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (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.

2.4 New standard issued but not yet effective

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

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

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

FAS 31 - Investment Agency (Al-Wakala Bi-Al-Istithmar) (effective from 1 January 2020)

FAS 35 - Risk reserves (effective from 1 January 2021)

3 CYCLICALITY OF OPERATIONS

The interim consolidated net income for the three-month period ended 31 March 2019 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> | <i>Audited</i> |
|--|----------------------|----------------------|
| | <i>31 March</i> | <i>31 December</i> |
| | <i>2019</i> | <i>2018</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Current account balances with banks | 29,152 | 10,136 |
| Short-term deposits (with an original maturity of 90 days or less) | 8,768 | 26,077 |
| Cash in hand | 20 | 30 |
| Total cash and cash equivalents | <u>37,940</u> | <u>36,243</u> |
| Short-term deposits (with an original maturity of more than 90 days) | 6,044 | 132 |
| Total cash and bank balances | <u><u>43,984</u></u> | <u><u>36,375</u></u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

5 ACCOUNTS RECEIVABLE

| | <i>Reviewed</i> 31 March 2019 <i>US\$ '000</i> | <i>Audited</i> 31 December 2018 <i>US\$ '000</i> |
|--|--|--|
| Amounts due from related parties (note 19) | 30,342 | 30,413 |
| Trade receivables | 17,951 | 13,380 |
| Other receivables | 4,174 | 16,073 |
| Rent receivable | 1,896 | 1,690 |
| | <u>54,363</u> | <u>61,556</u> |
| Less: provision for impaired receivables | <u>(28,179)</u> | <u>(28,900)</u> |
| | <u><u>26,184</u></u> | <u><u>32,656</u></u> |

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

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

| | <i>Reviewed</i> 31 March 2019 <i>US\$ '000</i> | <i>Audited</i> 31 December 2018 <i>US\$ '000</i> |
|--------------|--|--|
| At 1 January | 28,900 | 30,457 |
| Write back | (721) | (1,786) |
| Write off | - | (14) |
| Charge | - | 243 |
| | <u>28,179</u> | <u>28,900</u> |

6 INVESTMENTS

| | <i>Reviewed</i> 31 March 2019 <i>US\$ '000</i> | <i>Audited</i> 31 December 2018 <i>US\$ '000</i> |
|--|--|--|
| Equity-type instruments at fair value through equity - unquoted | | |
| Real estate related | 18,195 | 20,987 |
| Others | 2,130 | 3,642 |
| | <u>20,325</u> | <u>24,629</u> |
| Less: provision for impairment | <u>(6,916)</u> | <u>(8,428)</u> |
| | <u><u>13,409</u></u> | <u><u>16,201</u></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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

6 INVESTMENTS (continued)

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

| | <i>Reviewed</i> 31 March 2019 US\$ '000 | <i>Audited</i> 31 December 2018 US\$ '000 |
|--------------|---|---|
| At 1 January | 8,428 | 8,428 |
| Write off | (1,512) | - |
| | <u>6,916</u> | <u>8,428</u> |

7 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

| | <i>Reviewed</i> 31 March 2019 US\$ '000 | <i>Audited</i> 31 December 2018 US\$ '000 |
|--|---|---|
| At 1 January | 88,500 | 85,938 |
| Acquisitions | - | 6,649 |
| Distributions during the period / year | - | (372) |
| Net share of loss | (129) | (1,516) |
| Gain on bargain purchase | - | (2,238) |
| Other adjustments | - | 39 |
| | <u>88,371</u> | <u>88,500</u> |

8 INVESTMENT IN REAL ESTATE

| | <i>Reviewed</i> 31 March 2019 US\$ '000 | <i>Audited</i> 31 December 2018 US\$ '000 |
|---|---|---|
| At 1 January | 80,786 | 76,823 |
| Purchases during the year | - | 6,872 |
| Unrealised fair value loss on investment in real estate | - | (2,387) |
| Disposals | (3,444) | (522) |
| | <u>77,342</u> | <u>80,786</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

9 PROPERTY, PLANT AND EQUIPMENT

| | <i>Buildings on leasehold land</i> US\$ '000 | <i>Machinery, equipment and fixtures</i> US\$ '000 | <i>Computer hardware and software</i> US\$ '000 | <i>Motor vehicles</i> US\$ '000 | <i>Total</i> US\$ '000 |
|-------------------------------------|---|---|--|--|---------------------------|
| Cost | | | | | |
| At 1 January 2019 | 10,122 | 10,621 | 1,530 | 2,357 | 24,630 |
| Additions | - | - | 8 | - | 8 |
| At 31 March 2019 | 10,122 | 10,621 | 1,538 | 2,357 | 24,638 |
| Accumulated depreciation | | | | | |
| At 1 January 2019 | 1,918 | 8,357 | 1,413 | 1,796 | 13,484 |
| Charge | 102 | 310 | 18 | 67 | 497 |
| At 31 March 2019 | 2,020 | 8,667 | 1,431 | 1,863 | 13,981 |
| Net book amount: | | | | | |
| At 31 March 2019 | 8,102 | 1,954 | 107 | 494 | 10,657 |
| At 31 December 2018 | 8,204 | 2,264 | 117 | 561 | 11,146 |

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

| | <i>Reviewed three months ended 31 March</i> | |
|--|---|------------------|
| | <i>2019</i> | <i>2018</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Depreciation charged to contract costs | 61 | 364 |
| Depreciation charged to expenses | 436 | 147 |
| | 497 | 511 |

10 OTHER ASSETS

| | <i>Reviewed 31 March 2019</i> | <i>Audited 31 December 2018</i> |
|-------------------------|---------------------------------------|---|
| | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Advances to contractors | 457 | 927 |
| Prepayments | 595 | 378 |
| | 1,052 | 1,305 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

11 OTHER LIABILITIES AND ACCOUNTS PAYABLE

| | <i>Reviewed</i> <i>31 March</i> <i>2019</i> <i>US\$ '000</i> | <i>Audited</i> <i>31 December</i> <i>2018</i> <i>US\$ '000</i> |
|---|---|---|
| Lease rent payables (note 12.1) | 50,105 | 50,105 |
| Accruals and other payables | 22,538 | 24,085 |
| Case compensation (note 12.2) | 8,799 | 8,858 |
| Retentions payable | 3,905 | 4,398 |
| Trade payables | 821 | 1,254 |
| Amounts due to related parties (note 12.3 and 19) | 4,799 | 4,689 |
| | <u>90,967</u> | <u>93,389</u> |

Note 12.1

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

In accordance with the terms of the agreement with the MOICT, from the date of signing the agreement, no lease rent is payable for the first two years of the lease period, from 2006 to 2007. Lease rent payable, for the lease period (from 2008-2025), was deferred due to the cost incurred by the Group on the reclamation of the leasehold land. Thereafter, the Group is required to pay lease rental over thirty years (from 2026 to 2056).

Note 12.2

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

The company has a history of legal claims filed against it. Due to such claims history the management has made an assessment of potential future claims against the company and accordingly made an additional provision of US\$ 8,030 thousand for such future contingencies.

Note 12.3

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

12 FINANCING FROM A BANK

| | <i>Reviewed</i> <i>31 March</i> <i>2019</i> <i>US\$ '000</i> | <i>Audited</i> <i>31 December</i> <i>2018</i> <i>US\$ '000</i> |
|------------------------------|---|---|
| Commodity murabaha financing | 8,265 | 9,227 |

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.

13 TREASURY SHARES

Treasury shares represent 3,500,000 (31 December 2018: 3,500,000) shares amounting to US\$ 1,238,680 (31 December 2017: US\$ 1,238,680) representing 1.22% (31 December 2018: 1.22%) of the issued share capital, held by the Group. During the period, the Company did not repurchase any additional shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

14 INCOME FROM INVESTMENT IN REAL ESTATE

| | <i>Reviewed</i> <i>three months ended</i> <i>31 March</i> | |
|---|---|------------------|
| | 2019 | 2018 |
| | US\$ '000 | US\$ '000 |
| Rental income | 1,229 | 1,363 |
| Gain on sale of investment in real estate | 3,196 | - |
| | 4,425 | 1,363 |

15 OTHER INCOME

| | <i>Reviewed</i> <i>three months ended</i> <i>31 March</i> | |
|--------------------------------|---|------------------|
| | 2019 | 2018 |
| | US\$ '000 | US\$ '000 |
| Electricity and water services | - | 1,007 |
| Profit on short-term deposits | 103 | 52 |
| Others | 65 | 65 |
| | 168 | 1,124 |

16 RECOVERIES FROM IMPAIRED RECEIVABLES

The Group reversed an amount of US\$ 721 thousand (31 March 2018: US\$ 382 thousand) as a result of settlements in respect of outstanding account receivables due from third parties.

17 DIVIDEND PAYABLE

During the period following the shareholders' approval at the Annual General Meeting held on 28 March 2019, cash dividend of US\$ 2.00 cents per share totalling US\$ 5,730 thousand was payable for the year ended 31 December 2018.

18 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>three months ended</i> <i>31 March</i> | |
|---|---|----------------|
| | 2019 | 2018 |
| Income attributable to the equity shareholders of the parent for the period - US\$ '000 | 3,021 | 2,986 |
| Weighted average number of shares outstanding at the beginning and end of the period - in thousands | 283,011 | 283,011 |
| Earnings per share - US cents | 1.07 | 1.06 |

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

19 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group and Shari'a Supervisory Board members and external auditors.

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

| | Reviewed 31 March 2019 | | Audited 31 December 2018 | | | |
|------------------------------------|--|--|--|--|--|--------------------|
| | Key | | Key | | | |
| | management personnel/ Board members/ external auditors US\$ '000 | Associates and joint venture US\$ '000 | management personnel/ Board members/ external auditors US\$ '000 | Associates and joint venture US\$ '000 | Other related parties US\$ '000 | Total US\$ '000 |
| Accounts receivable - gross | - | 20,810 | - | 9,606 | 20,807 | 30,413 |
| Provision for impaired receivables | - | (17,943) | - | (8,764) | (17,943) | (26,707) |
| Accounts receivable - net | 768 | 2,867 | 768 | 842 | 2,864 | 3,706 |
| Accounts payable | 4,662 | 130 | 4,662 | 4,662 | 25 | 4,689 |

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

| | Reviewed 31 March 2019 | | Reviewed 31 March 2018 | | | |
|---|--|--|--|--|--|--------------------|
| | Key | | Key | | | |
| | management personnel/ Board members/ external auditors US\$ '000 | Associates and joint venture US\$ '000 | management personnel/ Board members/ external auditors US\$ '000 | Associates and joint venture US\$ '000 | Other related parties US\$ '000 | Total US\$ '000 |
| Income | 8 | 16 | 8 | 8 | 54 | 62 |
| Fee for management and other services | (129) | - | (129) | (121) | - | (121) |
| Net share of loss from investment in a joint venture and associates | (121) | 16 | (105) | (113) | 54 | (59) |
| Expenses | - | 453 | 453 | - | 381 | 381 |
| Staff costs | 2 | 219 | 239 | 1 | 93 | 111 |
| General and administrative expenses | 2 | 672 | 692 | 1 | 474 | 492 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

19 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

| | <i>Reviewed three months ended 31 March</i> | |
|-----------------------------|---|------------------|
| | 2019 | 2018 |
| | US\$ '000 | US\$ '000 |
| Salaries and other benefits | 453 | 381 |

20 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. For management purposes, the Group is organised into four major business segments.

The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

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

| | <i>31 March 2019 - Reviewed</i> | | | | | |
|---|--|---|---|--|-----------------------------------|----------------------------|
| | <i>Investment and related services US\$ '000</i> | <i>Construction contracts US\$ '000</i> | <i>Development and sale of industrial plots US\$ '000</i> | <i>Property and facility management services US\$ '000</i> | <i>Eliminations US\$ '000</i> | <i>Total US\$ '000</i> |
| Net revenues from external customers | 179 | 1,185 | 4,339 | (144) | - | 5,559 |
| Inter-segment transactions | - | - | 2 | 188 | (190) | - |
| Income from investments | 147 | - | - | - | - | 147 |
| Share of loss from investment in a joint venture and associates | (129) | - | - | - | - | (129) |
| Other income | 10 | 41 | 117 | - | - | 168 |
| Total revenue | 207 | 1,226 | 4,458 | 44 | (190) | 5,745 |
| Segment (loss) / profit | (1,099) | (190) | 4,457 | 12 | 14 | 3,194 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

20 SEGMENTAL INFORMATION (continued)

| | 31 March 2018 - Reviewed | | | | | |
|---|--|-------------------------------|---|--|---------------------|--------------|
| | <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> |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| Net revenues from external customers | 157 | 2,590 | 1,479 | (16) | - | 4,210 |
| Inter-segment transactions | - | - | - | 66 | (66) | - |
| Income from investments | - | - | - | - | - | - |
| Share of loss from investment in a joint venture and associates | (121) | - | - | - | - | (121) |
| Other income | - | 65 | 1,051 | 8 | - | 1,124 |
| Total revenue | 36 | 2,655 | 2,530 | 58 | (66) | 5,213 |
| Segment (loss) / profit | (1,134) | 2,004 | 2,476 | 16 | - | 3,362 |

(b) Segment information relating to the interim consolidated statement of financial position as at 31 March 2019 and 31 December 2018 is disclosed as follows:

| | 31 March 2019 - Reviewed | | | | | |
|---------------------|--|-------------------------------|---|--|---------------------|--------------|
| | <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> |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| Segment assets | 291,529 | 53,759 | 115,930 | 266 | (200,485) | 260,999 |
| Segment liabilities | 49,982 | 14,934 | 53,432 | 44 | (19,160) | 99,232 |

| | 31 December 2018- Audited | | | | | |
|---------------------|--|-------------------------------|---|--|---------------------|--------------|
| | <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> |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| Segment assets | 307,104 | 65,891 | 113,981 | 256 | (220,263) | 266,969 |
| Segment liabilities | 66,471 | 20,244 | 56,155 | 47 | (40,301) | 102,616 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

21 CONTINGENCIES AND COMMITMENTS

The Group has the following credit related commitments:

| | <i>Reviewed</i> 31 March 2019 US\$ '000 | <i>Audited</i> 31 December 2018 US\$ '000 |
|------------|---|---|
| Guarantees | 20,793 | 21,577 |

The Group has the following operating lease commitments:

| | <i>Reviewed</i> 31 March 2017 US\$ '000 | <i>Audited</i> 31 December 2018 US\$ '000 |
|---|---|---|
| Future minimum lease payments: | | |
| Within one year | 426 | 421 |
| After one year but not more than five years | 89 | 68 |
| Total | 515 | 489 |

22 FIDUCIARY ASSETS

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the interim consolidated statement of financial position. At 31 March 2019, the carrying value of such assets is US\$ 129 million (31 December 2018: US\$ 129 million).