

**INOVEST B.S.C.**  
**SHARI'A SUPERVISORY BOARD REPORT**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2019 (REVIEWED)**

**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 Dr. 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 Dr. 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

**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

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

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

In the name of Allah, The Beneficent, The Merciful

**Sharia Supervisory Board Report on the activities of INOVEST Company B.S.C  
For the  
Nine Months Period Ended 30 September 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 20 October 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 Nine months period ended 30 September 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 Nine months period ended 30 September 2019 that we have reviewed are in compliance with the Islamic Shari'a Rules and Principles.

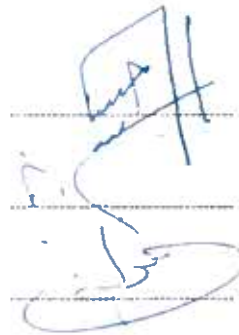
Also, the SSB has approved the financial statements and concluded that it's prepared in an acceptable form from Islamic Sharia view. The respective report has been prepared based on the information provided by the Company.

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 30 September 2019, and the related interim consolidated statements of income, changes in owners' equity, cash flows and sources and uses of charity fund for the nine-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



31 October 2019  
Manama, Kingdom of Bahrain

Inoest B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 (Reviewed)

		<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
<b>ASSETS</b>			
Cash and bank balances	4	40,099	36,375
Accounts receivable	5	15,618	32,656
Investments	6	13,050	16,201
Investment in a joint venture and associates	7	87,491	88,500
Investment in real estate	8	77,342	80,786
Property, plant and equipment	9	10,182	11,146
Other assets	10	700	1,305
<b>TOTAL ASSETS</b>		<b>244,482</b>	<b>266,969</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Other liabilities and accounts payable	11	76,812	93,389
Financing from a bank	12	6,287	9,227
<b>Total liabilities</b>		<b>83,099</b>	<b>102,616</b>
<b>Owners' Equity</b>			
Share capital		114,604	114,604
Less: Treasury shares	13	(1,239)	(1,239)
		<b>113,365</b>	<b>113,365</b>
Reserves		3,358	3,358
Retained earnings		19,105	19,808
Equity attributable to Parents' shareholders		<b>135,828</b>	<b>136,531</b>
Non-controlling interest		25,555	27,822
<b>Total owners' equity</b>		<b>161,383</b>	<b>164,353</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>244,482</b>	<b>266,969</b>



Dr. Omar Salem Al Mutawa  
Chairman



Bashar Naser Al Tuwaljri  
Vice-Chairman



Yaser Hamad Al-Jar  
Chief Executive Officer

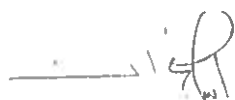
The attached explanatory notes 1 to 22 form part of these interim condensed consolidated financial statements.

Inovest B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF INCOME**

For the nine month period ended 30 September 2019 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>OPERATING INCOME</b>					
Net income from construction contracts		1,128	3,049	3,045	8,909
Income from investment in real estate	14	1,441	1,398	7,011	4,063
Income from investments		-	49	147	5,083
Fee for management and other services		213	131	1,047	672
Net share of loss from investment in a joint venture and associates	7	(32)	(114)	(358)	(1,187)
Other income	15	1,025	108	2,777	1,979
<b>TOTAL OPERATING INCOME</b>		<b>3,775</b>	<b>4,621</b>	<b>13,669</b>	<b>19,519</b>
<b>OPERATING EXPENSES</b>					
Staff costs		1,239	1,040	4,152	3,294
General and administrative expenses		661	596	2,625	1,766
Property related expenses		780	489	1,515	1,434
Financing costs		119	175	388	544
Depreciation	9	280	223	890	559
<b>TOTAL OPERATING EXPENSES</b>		<b>3,079</b>	<b>2,523</b>	<b>9,570</b>	<b>7,597</b>
<b>NET OPERATING PROFIT</b>		<b>696</b>	<b>2,098</b>	<b>4,099</b>	<b>11,922</b>
Recoveries from impaired receivables	16	94	286	1,473	1,146
<b>PROFIT FOR THE PERIOD</b>		<b>790</b>	<b>2,384</b>	<b>5,572</b>	<b>13,068</b>
Attributable to :					
Equity shareholders of the parent		713	2,141	5,007	12,307
Non-controlling interest		77	243	565	761
<b>PROFIT FOR THE PERIOD</b>		<b>790</b>	<b>2,384</b>	<b>5,572</b>	<b>13,068</b>
<b>BASIC AND DILUTED EARNINGS</b>					
PER SHARE (US cents)	18	0.25	0.76	1.77	4.35



Dr. Omar Salem Al Mutawa  
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 CHANGES IN OWNERS' EQUITY**

For the nine month period ended 30 September 2019 (Reviewed)

	Equity attributable to Parent's shareholders								Total owners' equity US\$ '000
	Share capital US\$ '000	Treasury shares US\$ '000	Reserves			Retained earnings US\$ '000	Total equity US\$ '000	Non-controlling interest 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 paid (note 17)	-	-	-	-	-	(5,660)	(5,660)	-	(5,660)
Capital redemption by a subsidiary	-	-	-	-	-	-	-	(2,832)	(2,832)
Profit for the period	-	-	-	-	-	5,007	5,007	565	5,572
<b>At 30 September 2019</b>	<b>114,604</b>	<b>(1,239)</b>	<b>3,358</b>	<b>-</b>	<b>-</b>	<b>19,105</b>	<b>135,828</b>	<b>25,555</b>	<b>161,383</b>
At 1 January 2018	114,604	(1,239)	1,957	42	-	7,036	122,400	27,771	150,171
Transfer of treasury shares	-	-	-	(42)	-	166	124	-	124
Profit for the period	-	-	-	-	-	12,307	12,307	761	13,068
<b>At 30 September 2018</b>	<b>114,604</b>	<b>(1,239)</b>	<b>1,957</b>	<b>-</b>	<b>-</b>	<b>19,509</b>	<b>134,831</b>	<b>28,532</b>	<b>163,363</b>

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



Inovent B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine month period ended 30 September 2019 (Reviewed)

	Note	Nine months ended 30 September	
		2019	2018
		US\$ '000	US\$ '000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		5,572	13,068
Adjustments for:			
Depreciation	9	974	1,543
Net share of loss from investment in a joint venture and associates	7	358	1,187
Gain on sale of investment in real estate	14	(3,462)	-
Recoveries from impaired receivables	16	(1,473)	(1,146)
		<b>1,969</b>	<b>14,652</b>
<b>Net changes in operating assets and liabilities:</b>			
Short-term deposits (with an original maturity of more than 90 days)		(23,091)	158
Accounts receivable		15,679	(2,046)
Other assets		605	1,769
Accounts payable		(16,627)	(3,273)
Net cash (used in) / from operating activities		<b>(21,465)</b>	<b>11,260</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of investment in real estate		6,906	-
Purchase of property, plant and equipment	9	(10)	(74)
Sale of investment in a joint venture and associates		-	371
Distributions received from a joint venture and associates	7	651	-
Proceeds from sale of investments		3,151	-
Net cash from investing activities		<b>10,698</b>	<b>297</b>
<b>FINANCING ACTIVITIES</b>			
Net movement in financing from a bank		(2,940)	(2,755)
Dividend paid		(5,660)	-
Net cash used in financing activities		<b>(8,600)</b>	<b>(2,755)</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
		<b>(19,367)</b>	<b>8,802</b>
Cash and cash equivalents at the beginning of the period	4	36,243	21,540
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>16,876</b>	<b>30,342</b>
<b>Non cash transactions:</b>			
Contributions by the company toward charity funds		(50)	-
Capital redemption by a subsidiary		(2,832)	-
Purchase of investment in a joint venture and associates		-	6,649
Purchase of investments		-	2,286
Transfer of treasury shares		-	42

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

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

For the nine month period ended 30 September 2019 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Sources of charity funds</b>				
Contributions by the Company	<b>50</b>	-	<b>50</b>	-
<b>Total sources of charity funds during the period</b>	<b>50</b>	-	<b>50</b>	-
<b>Uses of charity funds</b>				
Contributions for charitable purposes	<b>36</b>	-	<b>36</b>	-
<b>Total uses of funds during the period</b>	<b>36</b>	-	<b>36</b>	-
<b>Undistributed charity funds at end of period</b>	<b>14</b>	-	<b>14</b>	-

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 30 September 2019 was 343 employee (31 December 2018: 589 employee).

The interim condensed consolidated financial statements for the nine months ended 30 September 2019 were authorised for issue in accordance with a resolution of the Board of Directors dated 31 October 2019.

### 2 ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 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 30 September 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>
<b>Held directly by the Company</b>					
Al Khaleej Development Co. B.S.C. (c)*	99.98%	99.98%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties.

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

<b>Held indirectly by the Company</b>					
Bahrain Investment Wharf B.S.C. (c)*	99.00%	99.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial centres, residential buildings and property.
Circo Total Facility Management Co. W.L.L.*	99.00%	99.00%	Kingdom of Bahrain	2005	Management and maintenance of properties.
Tamcon Contracting Co. B.S.C. (c)*	99.00%	99.00%	Kingdom of Bahrain	2007	Contracting activities.
Dannat Resort Development Company Limited	67.57%	67.57%	Cayman Islands	2008	Managing and Development of Real Estate Projects.
Tamcon Trading S.P.C.	100.00%	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its spare parts and sale of building materials.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 2018</i>	<i>Ownership 2017</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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

### 2 ACCOUNTING POLICIES (continued)

#### 2.3 Basis of consolidation (continued)

- 1 Relieves ERESKO from any obligations related to the Project and ERESKO does not guarantee neither support any obligation with respect to the Project contract.

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 nine-month period ended 30 September 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>30 September</i> <i>2019</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2018</i> <i>US\$ '000</i>
Current account balances with banks	7,576	26,077
Short-term deposits (with an original maturity of 90 days or less)	9,283	10,136
Cash in hand	17	30
Total cash and cash equivalents	<u>16,876</u>	<u>36,243</u>
Short-term deposits (with an original maturity of more than 90 days)	23,223	132
Total cash and bank balances	<u>40,099</u>	<u>36,375</u>



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

At 30 September 2019 (Reviewed)

**5 ACCOUNTS RECEIVABLE**

	<i>Reviewed</i> <b>30 September</b> 2019 US\$ '000	<i>Audited</i> <b>31 December</b> 2018 US\$ '000
Amounts due from related parties (note 19)	30,052	30,413
Trade receivables	7,175	13,380
Other receivables	4,005	16,073
Rent receivable	1,813	1,690
	<u>43,045</u>	<u>61,556</u>
Less: provision for impaired receivables	<u>(27,427)</u>	<u>(28,900)</u>
	<u><u>15,618</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> <b>30 September</b> 2019 US\$ '000	<i>Audited</i> <b>31 December</b> 2018 US\$ '000
At 1 January	28,900	30,457
Write back	(1,473)	(1,786)
Write off	-	(14)
Charge	-	243
	<u>27,427</u>	<u>28,900</u>

**6 INVESTMENTS**

	<i>Reviewed</i> <b>30 September</b> 2019 US\$ '000	<i>Audited</i> <b>31 December</b> 2018 US\$ '000
<b>Equity-type instruments at fair value through equity - unquoted</b>		
Real estate related	17,836	20,987
Others	2,130	3,642
	<u>19,966</u>	<u>24,629</u>
Less: provision for impairment	<u>(6,916)</u>	<u>(8,428)</u>
	<u><u>13,050</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 30 September 2019 (Reviewed)

**6 INVESTMENTS (continued)**

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

	<i>Reviewed</i> <b>30 September</b> <b>2019</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
At 1 January	8,428	8,428
Write off	<b>(1,512)</b>	-
	<u><b>6,916</b></u>	<u><b>8,428</b></u>

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

	<i>Reviewed</i> <b>30 September</b> <b>2019</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
At 1 January	88,500	85,938
Acquisitions	-	6,649
Distributions during the period / year	<b>(651)</b>	<b>(372)</b>
Impairment loss on a joint venture	-	(1,516)
Net share of loss	<b>(358)</b>	<b>(2,238)</b>
Other adjustments	-	39
	<u><b>87,491</b></u>	<u><b>88,500</b></u>

**8 INVESTMENT IN REAL ESTATE**

	<i>Reviewed</i> <b>30 September</b> <b>2019</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
At 1 January	80,786	76,823
Purchases	-	6,872
Unrealised fair value loss on investment in real estate	-	(2,387)
Disposals	<b>(3,444)</b>	<b>(522)</b>
	<u><b>77,342</b></u>	<u><b>80,786</b></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

9 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on leasehold land</i> US\$ '000	<i>Machinery, equipment furniture and fixtures</i> US\$ '000	<i>Computer hardware and software</i> US\$ '000	<i>Motor vehicles</i> US\$ '000	<i>Total</i> US\$ '000
<b>Cost</b>					
At 1 January 2019	10,122	10,621	1,530	2,357	24,630
Additions	-	-	10	-	10
Disposals	-	(41)	(45)	(115)	(201)
At 30 September 2019	<u>10,122</u>	<u>10,580</u>	<u>1,495</u>	<u>2,242</u>	<u>24,439</u>
<b>Accumulated depreciation</b>					
At 1 January 2019	1,918	8,357	1,413	1,796	13,484
Charge	305	510	47	112	974
Disposals	-	(41)	(45)	(115)	(201)
At 30 September 2019	<u>2,223</u>	<u>8,826</u>	<u>1,415</u>	<u>1,793</u>	<u>14,257</u>
<b>Net book amount:</b>					
At 30 September 2019	<u>7,899</u>	<u>1,754</u>	<u>80</u>	<u>449</u>	<u>10,182</u>
At 31 December 2018	<u>8,204</u>	<u>2,264</u>	<u>117</u>	<u>561</u>	<u>11,146</u>

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

	<i>Reviewed Nine months ended 30 September</i>	
	<u>2019</u>	<u>2018</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Depreciation charged to contract costs	84	984
Depreciation charged to expenses	890	559
	<u>974</u>	<u>1,543</u>

10 OTHER ASSETS

	<i>Reviewed 30 September 2019</i> US\$ '000	<i>Audited 31 December 2018</i> US\$ '000
Advances to contractors	252	927
Prepayments	448	378
	<u>700</u>	<u>1,305</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

### 11 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Lease rent payables (note 11.1)	50,105	50,105
Accruals and other payables	10,085	24,085
Provision for case compensation (note 11.2)	8,497	8,858
Amounts due to related parties (note 11.3 and 19)	4,665	4,689
Retentions payable	2,939	4,398
Trade payables	521	1,254
	<u>76,812</u>	<u>93,389</u>

#### Note 11.1

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 11.2

The Company has a history of legal claims filed against it. Due to such claims history the management made an assessment of potential future claims against the company and accordingly recognised provisions for such future contingencies.

During the period, a proceeding issued by an arbitration centre was ruled in favor of one of the investor in a project company managed by the Company. As per the verdict the Company is required to return the investment amount of US\$ 15 million which would result in recapitalization of the investment in the Company's books and additional expenses to be borne by the Company. The Company is currently in the process of filing an appeal against the verdict at the High Civil Court as of 30 September 2019.

#### Note 11.3

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> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Commodity murabaha financing	6,287	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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

### 14 INCOME FROM INVESTMENT IN REAL ESTATE

	<i>Reviewed</i>	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2019</b>	<b>2018</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Rental income	3,549	4,063
Gain on sale of investment in real estate	3,462	-
	<b>7,011</b>	<b>4,063</b>

### 15 OTHER INCOME

	<i>Reviewed</i>	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2019</b>	<b>2018</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Electricity and water services	1,431	1,636
Profit on short-term deposits	570	116
Reversal of accrued expenses	564	-
Others	212	227
	<b>2,777</b>	<b>1,979</b>

### 16 RECOVERIES FROM IMPAIRED RECEIVABLES

The Group reversed an amount of US\$ 1,473 thousand (30 September 2018: US\$ 1,146 thousand) as a result of settlements in respect of fully provided outstanding accounts receivable due from third parties.

### 17 DIVIDEND PAID

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\$ 5,660 thousand was paid to the shareholders on 7 April 2019 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>Nine months ended</i>	
	<i>30 September</i>	
	<b>2019</b>	<b>2018</b>
Income attributable to the equity shareholders of the parent for the period - US\$ '000	<b>5,007</b>	<b>12,307</b>
Weighted average number of shares outstanding at the beginning and end of the period - in thousands	<b>283,011</b>	<b>283,011</b>
Earnings per share - US cents	<b>1.77</b>	<b>4.35</b>

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 30 September 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

## 19 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	Reviewed 30 September 2019				Audited 31 December 2018			
	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Accounts receivable - gross	9,590	-	20,462	30,052	9,606	-	20,807	30,413
Provision for impaired receivables	(8,764)	-	(17,943)	(26,707)	(8,764)	-	(17,943)	(26,707)
Accounts receivable - net	826	-	2,519	3,346	842	-	2,864	3,706
Accounts payable	4,661	4	-	4,665	4,662	25	2	4,689

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

	Reviewed 30 September 2019				Reviewed 30 September 2018			
	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Associates and joint venture US\$ '000	management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Income								
Fee for management and other services	24	-	36	60	24	-	86	110
Income from investments	-	-	-	-	-	-	4,363	4,363
Net income from construction contracts	-	-	-	-	-	-	2	2
Net share of loss from investment in a joint venture and associates	(358)	-	-	(358)	(1,187)	-	-	(1,187)
	(334)	-	36	(298)	(1,163)	-	4,451	3,288
Expenses								
Staff costs	-	1,627	-	1,627	-	1,157	-	1,157
General and administrative expenses	4	552	19	575	4	254	56	314
	4	2,179	19	2,202	4	1,411	56	1,471

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

### 19 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	<i>Reviewed</i>	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2019</b>	<b>2018</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Salaries and other benefits	<b>1,627</b>	<b>1,157</b>

### 20 SEGMENTAL INFORMATION

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

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

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

	<i>30 September 2019 - Reviewed</i>					
	<i>Investment and related services</i>	<i>Construction contracts</i>	<i>Development and sale of industrial plots</i>	<i>Property and facility management services</i>	<i>Eliminations</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net revenues from						
external customers	385	3,045	7,634	39	-	11,103
Inter-segment transactions	151	-	290	95	(536)	-
Income from investments	147	-	-	-	-	147
Share of loss from						
investment in a joint						
venture and associates	(358)	-	-	-	-	(358)
Other income	230	440	2,107	-	-	2,777
<b>Total revenue</b>	<b>555</b>	<b>3,485</b>	<b>10,031</b>	<b>134</b>	<b>(536)</b>	<b>13,669</b>
<b>Segment (loss) / profit</b>	<b>(3,321)</b>	<b>(140)</b>	<b>8,918</b>	<b>40</b>	<b>75</b>	<b>5,572</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

20 SEGMENTAL INFORMATION (continued)

	30 September 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	655	8,909	4,116	(36)	-	13,644
Inter-segment transactions	-	-	-	183	(183)	-
Income from investments	5,083	-	-	-	-	5,083
Share of loss from investment in a joint venture and associates	(1,187)	-	-	-	-	(1,187)
Other income	92	127	1,751	9	-	1,979
<b>Total revenue</b>	<b>4,643</b>	<b>9,036</b>	<b>5,867</b>	<b>156</b>	<b>(183)</b>	<b>19,519</b>
<b>Segment profit</b>	<b>1,077</b>	<b>6,819</b>	<b>5,077</b>	<b>49</b>	<b>46</b>	<b>13,068</b>

(b) Segment information relating to the interim consolidated statement of financial position as at 30 September 2019 and 31 December 2018 is disclosed as follows:

	30 September 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	288,483	48,374	113,011	298	(205,684)	244,482
Segment liabilities	41,454	9,498	52,117	47	(20,017)	83,099

	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



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

At 30 September 2019 (Reviewed)

**21 CONTINGENCIES AND COMMITMENTS**

The Group has the following credit related commitments:

	<i>Reviewed</i> <b>30 September</b> <b>2019</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
Guarantees	<b>20,765</b>	<b>21,577</b>

The Group has the following operating lease commitments:

	<i>Reviewed</i> <b>30 September</b> <b>2017</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
Future minimum lease payments:		
Within one year	<b>263</b>	421
After one year but not more than five years	-	68
Total	<b>263</b>	<b>489</b>

**22 FIDUCIARY ASSETS**

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the interim consolidated statement of financial position. At 30 September 2019, the carrying value of such assets is US\$ 128.26 million (31 December 2018: US\$ 129.45 million).