

**ESKAN BANK REALTY INCOME TRUST**

**REPORT OF THE BOARD OF DIRECTORS,  
INDEPENDENT AUDITOR'S REPORT AND  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD ENDED  
JUNE 30, 2019**

## **ESKAN BANK REALTY INCOME TRUST**

### **Information about the Trust**

<b><u>Board of Directors of the Trust</u></b>	Mr. Bashar AlBazian - Chairman (Appointed on July 10, 2019) Mr. Naser Ebrahim Abdulrahman Obaid - (Resigned on July 10, 2019) Mr. Michael Roy Pankhurst Mr. Muhammad Saeed Butt
<b><u>Registered office</u></b>	Office 341, Floor 34 Bahrain World Trade Center, West Tower P O Box 18206 Manama Kingdom of Bahrain
<b><u>Principal banker</u></b>	Bahrain Islamic Bank B.S.C.
<b><u>Trustee &amp; custodian</u></b>	Crestbridge Bahrain B.S.C. (c)
<b><u>Investment manager</u></b>	Eskan Bank B.S.C. (c)
<b><u>Sub-Investment manager &amp; market maker</u></b>	SICO B.S.C. (c)
<b><u>Registrar</u></b>	Bahrain Clear B.S.C. (c)
<b><u>Property manager</u></b>	Savills Middle East Co. S.P.C.
<b><u>Administrator</u></b>	Keypoint Consulting W.L.L.
<b><u>Paying agent</u></b>	Karvy Computershare W.L.L.
<b><u>Property appraiser</u></b>	Knight Frank Middle East
<b><u>External auditor</u></b>	Deloitte & Touche – Middle East Engagement Partner: Irshad Mahmood
<b><u>Shari'ah Board</u></b>	Dr. Sheikh Nezam Yacouby (Chairperson) Dr. Sheikh Abdulaziz Khalifa AlQassar (Vice Chairperson) Sheikh Abdalnasser Al-Mahmood (Member)

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## ESKAN BANK REALTY INCOME TRUST

### Directors' report

For the six-month period ended June 30, 2019

The Directors have pleasure in submitting their report together with the audited interim consolidated financial statements of Eskan Bank Realty Income Trust (the "Trust" or "EBRIT") and its subsidiaries (together "the Group") for the six-month period from January 1, 2019 to June 30, 2019.

### Principal activities

The Trust is a closed ended Real Estate Investment Trust ("REIT") and its primary objective is to maximize stable Shari'ah compliant income generation for the unitholders with a long term approach and risk adjusted manner. The Trust invests in income generating properties in the Kingdom of Bahrain.

### Interim results and financial position

The interim consolidated statement of financial position of the Group as at June 30, 2019 and results for the period ended June 30, 2019 are set out in the accompanying interim consolidated statements.

### Dividends

The Board of Directors following ratification at the annual general meeting on April 30, 2019 declared a distribution at 3% of the unit's capital of the Trust for the period July 1, 2018 to December 31, 2018, after obtaining CBB approval amounting to BD 594,000 (December 31, 2018: BD 1,188,000).

### Board of Directors of the Trust

The following Directors served during the period ended June 30, 2019:

Mr. Bashar AlBazian - Chairman (Appointed on July 10, 2019)  
Mr. Naser Ebrahim Abdulrahman Obaid - (Resigned on July 10, 2019)  
Mr. Michael Roy Pankhurst  
Mr. Muhammad Saeed Butt

On behalf of the Directors:



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Mr. Bashar AlBazian

28 August 2019

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders  
Eskan Bank Realty Income Trust  
Manama, Kingdom of Bahrain

### **Report on the interim consolidated financial statements**

We have audited the accompanying interim consolidated financial statements of Eskan Bank Realty Income Trust (the "Trust" or "EBRIT") and its subsidiaries (together "the Group"), which comprise the interim consolidated statement of financial position as at June 30, 2019, and the related interim consolidated statements of income, changes in equity and cash flows for the six month period ended June 30, 2019, and a summary of significant accounting policies and other explanatory notes.

### **Director's responsibility for the interim consolidated financial statements**

The Directors are responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and to operate in accordance with Islamic Shari'ah rules and principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these interim consolidated financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the AAOIFI. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the interim consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the interim consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the interim consolidated financial statements. We believe that our audit provides a reasonable basis for our audit opinion.

### **Opinion**

In our opinion, the interim consolidated financial statements present fairly, in all material respects, the interim consolidated financial position of the Group as at June 30, 2019, and the result of its operations, its cash flows and changes in equity for the six month period ended June 30, 2019 in accordance with the Financial Accounting Standards issued by the AAOIFI.

### **Report on regulatory requirements and other matters**

As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) and the Central Bank of Bahrain (CBB) Rulebook (Volume 7), we report that:

- a) the Trust has maintained proper accounting records and the interim consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Directors' report is consistent with the interim consolidated financial statements;
- c) nothing has come to our attention which causes us to believe that the Trust has breached any of the applicable provisions of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), Financial Trust Law No. 23 of 2016 (as amended), the CBB Rulebook (Volume 7) and CBB directives and regulations (as contained in Volume 7 of the CBB Rulebook), rules and procedures of the Bahrain Bourse or the terms of the Trust Instrument, which would materially affect its activities or its interim consolidated financial position as at June 30, 2019;
- d) satisfactory explanations and information have been provided to us by Directors in response to all our requests; and
- e) the Trust has complied with the Islamic Shari'ah rules and principles as determined by the Shari'ah Board of the Group.

*Deloitte & Touche*


Deloitte & Touche – Middle East  
Partner Registration No. 157  
Manama, Kingdom of Bahrain

August 28, 2019

**ESKAN BANK REALTY INCOME TRUST**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	Notes	June 30, 2019 BHD	December 31, 2018 BHD
<b>Assets</b>			
<b>Non-current asset</b>			
Investment in real estate	5	11,031,000	16,520,000
<b>Current assets</b>			
Trade receivables	6	415,724	447,636
Prepaid expenses		2,500	500
Cash and cash equivalents	7	304,634	374,158
<b>Total current assets</b>		<b>722,858</b>	<b>822,294</b>
<b>Total assets</b>		<b>11,753,858</b>	<b>17,342,294</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	368,822	244,870
Due to related parties	9.4	12,833	8,667
<b>Total liabilities</b>		<b>381,655</b>	<b>253,537</b>
<b>Net assets attributable to unitholders</b>		<b>11,372,203</b>	<b>17,088,757</b>
<b>Equity</b>			
Unit capital	11	19,800,000	19,800,000
Statutory reserve	12	1,000	1,000
Capital expenditure reserve		5,000	4,000
Accumulated losses		(8,433,797)	(2,716,243)
<b>Net assets attributable to unitholders</b>		<b>11,372,203</b>	<b>17,088,757</b>
<b>Number of outstanding units</b>	11 & 19	<b>198,000,000</b>	<b>198,000,000</b>
<b>Net asset value per unit</b>	19	<b>0.0574</b>	<b>0.0863</b>

The Interim consolidated financial statements were approved and authorized for issue by the Directors on 28 August 2019 and signed on their behalf by:

  
 Mr. Bashar AlBazian  
 Chairman

  
 Mr. Michael Roy Pankhurst  
 Director

The attached notes form part of these interim consolidated financial statements

**ESKAN BANK REALTY INCOME TRUST**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

	Note	Six month period ended June 30,	
		2019 BHD	2018 BHD
Rental Income	13	596,717	729,969
Service fee income	13	40,674	41,193
Property operating expenses	14	<u>(172,423)</u>	<u>(175,808)</u>
<b>Property operating income – net</b>		<u>464,968</u>	<u>595,354</u>
Other Income	15	95,288	46,623
Investment management fee	9.1	(25,000)	(25,000)
Administration fee		(5,000)	(5,000)
Trustee and custodian fees	9.1	(11,000)	(11,000)
Other professional fees		(19,949)	(9,127)
Other expenses		<u>(13,066)</u>	<u>(1,694)</u>
<b>Operating profit</b>		<u>486,241</u>	<u>590,156</u>
Net unrealised loss on revaluation of investment in real estate		(5,563,381)	-
Allowance for Impairment on trade receivables		<u>(45,414)</u>	-
<b>(Loss)/profit for the period</b>		<u>(5,122,554)</u>	<u>590,156</u>
<b>(Loss)/earnings per unit</b>	19	<u>(0.0259)</u>	<u>0.0030</u>

The interim consolidated financial statements were approved and authorized for issue by the Directors on 28 August 2019 and signed on their behalf by



Mr. Bashar AlBazian  
Chairman



Mr. Michael Roy Pankhurst  
Director

The attached notes form part of these interim consolidated financial statements

**ESKAN BANK REALTY INCOME TRUST**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

	No. of units	Unit capital BHD	Statutory reserve BHD	Capital expenditure reserve BHD	(Accumulated losses)/ retained earnings BHD	Total BHD
At January 1, 2019	198,000,000	19,800,000	1,000	4,000	(2,716,243)	17,088,757
Loss for the period	-	-	-	-	(5,122,554)	(5,122,554)
Transfer to property capital expenditure reserve (Note 2.7 (k))	-	-	-	1,000	(1,000)	-
Dividend	-	-	-	-	(594,000)	(594,000)
At June 30, 2019	<u>198,000,000</u>	<u>19,800,000</u>	<u>1,000</u>	<u>5,000</u>	<u>(8,433,797)</u>	<u>11,372,203</u>
At January 1, 2018	198,000,000	19,800,000	1,000	2,000	547,377	20,350,377
Profit for the period	-	-	-	-	590,156	590,156
Transfer to property capital expenditure reserve (Note 2.7 (k))	-	-	-	1,000	(1,000)	-
Dividend	-	-	-	-	(594,000)	(594,000)
At June 30, 2018	<u>198,000,000</u>	<u>19,800,000</u>	<u>1,000</u>	<u>3,000</u>	<u>542,533</u>	<u>20,346,533</u>

The attached notes form part of these interim consolidated financial statements



**ESKAN BANK REALTY INCOME TRUST**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

	Note	Six month period ended June 30,	
		2019 BHD	2018 BHD
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(5,122,554)	590,156
Adjustment for:			
Net unrealized loss on revaluation of investment in real estate	5	5,563,381	-
Allowance for impairment on trade receivables	6	45,414	-
<b>Operating cash flows before changes in working capital</b>		<u>486,241</u>	<u>590,156</u>
Changes in working capital:			
(Increase)/decrease in trade receivables		(13,502)	198,443
Increase in due from related party		-	(46,623)
Increase in prepaid expenses		(2,000)	(2,135)
(Decrease)/increase in trade and other payables		(72,741)	280,465
Increase/(decrease) in due to related parties		4,166	(12,500)
<b>Net cash generated from operating activities</b>		<u>402,164</u>	<u>1,007,806</u>
<b>Cash flows used in an investing activity</b>			
Amounts incurred on investment in real estate	5	(74,381)	-
<b>Net cash used in an investing activity</b>		<u>(74,381)</u>	<u>-</u>
<b>Cash flows used in a financing activity</b>			
Dividends paid		(397,307)	(594,000)
<b>Net cash used in a financing activity</b>		<u>(397,307)</u>	<u>(594,000)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(69,524)	413,806
Cash and cash equivalents at the beginning of the period		<u>374,158</u>	<u>511,356</u>
<b>Cash and cash equivalents at the end of the period</b>	7	<u>304,634</u>	<u>925,162</u>

The attached notes form part of these interim consolidated financial statements

**ESKAN BANK REALTY INCOME TRUST**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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**1. GENERAL INFORMATION**

- 1.1 Eskan Bank Realty Income Trust (the "Trust" or "EBRIT"), was created through a trust instrument entered into between Bahrain Property Musharaka Trust ("BPMT") as the Settlor and Crestbridge Bahrain B.S.C (c) as the Trustee ("Crestbridge" or the "Trustee") on November 3, 2016 and was registered as a trust under the Financial Trust Law of Kingdom of Bahrain (law No. 23 of the year 2006 and as replaced by law No. 23 of 2016) with the Central Bank of Bahrain (the "CBB") under registration number FT/11/002/16 on November 8, 2016.
- 1.2 EBRIT is established as a closed-ended Shari'ah compliant Bahrain Real Estate Investment Trust with a 100-year duration and has been authorized by the CBB to be constituted as a Bahrain domiciled retail collective investment undertaking in derogation from Rule BRT-1.1.2 of Volume 7 of the CBB Rulebook.
- 1.3 At the inception of the Trust, the Trust had issued 198,000,000 units at a price of BHD 0.100 per unit and a Net Asset Value of BHD 0.101 per unit to the pre Initial Public Offer Unitholder BPMT. In consideration for the same BPMT transferred the ownership of the Inaugural Trust Property to the Trust consisting of 100% of the authorized and issued capital of:
- Segaya Plaza Company B.S.C. (c), a closed joint stock company incorporated under the law of Bahrain with commercial registration number 96206 owning certain real estate property named Segaya Plaza. The property is situated on the northern edge of Segaya and south of Salmaniya Hospital. The total land area of the property is approximately 5,469 square meters and has a leasable area of 15,893 square meters consisting of 15 retail units and 105 fully furnished residential apartments; and
  - Danaat Al Madina Company B.S.C. (c), a closed joint stock company incorporated under the law of Bahrain with commercial registration number 96210 owning certain real estate asset property named Danaat Al Madina. Danaat Al Madina is located in Isa Town. It is a mixed use property consisting of approximately 11,834 square meters of leasable area. The property consists of 44 retail units and 2 office towers named Durra 1 and Durra 2. The total land area of the property is approximately 29,014 square meters. There are certain freehold apartments situated on the floors above the retail units which do not form part of the Trust property.
- 1.4 The ownership of both the properties listed above, were transferred to the Trust on November 10, 2016. However, as per the prospectus of Trust any profit and losses pertaining to the Trust Properties shall accrue to the benefit of the Unitholders from January 1, 2017.
- 1.5 BPMT made an initial public offering of 144,394,499 units of EBRIT at an offer price of BHD 0.100 to individuals and institutions in the Kingdom of Bahrain via a prospectus dated November 15, 2016. The initial public offering opened on November 22, 2016 and closed on December 6, 2016. The allotment of the units to the participants of the Initial Public Offering was made on December 14, 2016 and the units of EBRIT were listed on the Bahrain Bourse and commenced trading from January 2, 2017.
- 1.6 The primary objective of achieving an attractive level of return from rental income and long-term capital growth and to maximize stable income generation for the unitholders with a long term approach and in a risk-adjusted manner. EBRIT intends to increase its Shari'ah compliant property portfolio, as and when attractive opportunities arise. The Trust will focus predominantly on yielding properties in Bahrain and with a conservative leverage policy, as and when required and when deemed to be in the best interest of the unitholders.
- 1.7 EBRIT is overseen by Crestbridge Bahrain B.S.C (c) ("Crestbridge") as the Trustee. The Trustee has appointed Eskan Bank B.S.C (c) ("Eskan"), a bank incorporated in the Kingdom of Bahrain as the Investment Manager. Eskan as the Investment Manager has appointed SICO B.S.C (c) ("SICO") as the Sub-Investment Manager. EBRIT is administered by Keypoint Consulting W.L.L., Bahrain ("the Administrator") and Crestbridge is also the Custodian of EBRIT.
- 1.8 EBRIT does not currently have any direct employees, however, it uses the services of a Trustee, Investment Manager (who in turn has appointed a Sub-Investment Manager), a Property Manager, a Property Appraiser, an Administrator and a Custodian for the management, administration and custody functions.

**ESKAN BANK REALTY INCOME TRUST**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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1.9 These interim consolidated financial statements consist of the activities of the Trust and its two fully owned subsidiaries namely:

- a) Segaya Plaza Company B.S.C. (c); and
- b) Danaat Al Madina Company B.S.C. (c)

The Trust together with its subsidiaries is referred to as the "Group".

1.10 Terms utilized herein and not defined shall have the same meaning as per the Trust Instrument.

1.11 These interim consolidated financial statements of the Group have been authorised for issue in accordance with a resolution of the Board of Directors of the Trust dated 28 August 2019. The Shari'ah Board has reviewed the consolidated financial statements of the Group and have provided clearance on Sharia'ah compliance.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Statement of Compliance**

The interim consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'ah Rules and Principals as determined by the Shari'ah Board of the Trust, Financial Institutions Law, the CBB Rulebook Volume 7, directives, regulations and associated resolutions and the terms of the Trust Instrument. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

### **2.2 Basis of Preparation**

The interim consolidated financial statements are prepared on the historical cost convention except for investment in real estate.

The interim consolidated financial statements are presented in Bahraini Dinars ("BHD") which is considered to be the Group's functional and operational currency.

### **2.3 Going concern**

The Investment Manager has made an assessment of the Group's ability to continue on a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Investment Manager is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the interim consolidated financial statements continue to be prepared on going concern basis.

### **2.4 Basis of consolidation**

The interim consolidated financial statements comprise the interim financial statements of the Trust and its subsidiaries as at June 30, 2019. The interim financial statements of the subsidiaries are prepared for the same reporting period as the Trust, using consistent accounting policies. All intra-group balances, transactions, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity with the objective of obtaining benefits from its operations.

The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim consolidated statement of operations from the date of acquisition or up to the date of disposal, as appropriate.

**ESKAN BANK REALTY INCOME TRUST**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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**2.5 New accounting standards: issued and effective**

In the current year the Group has applied the following new standards, amendments to standards and interpretations that are effective for an annual period that begins on or after January 1, 2019. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

*FAS 28 "Murabaha and other deferred payment sales" (effective January 1, 2019)*

FAS 28 prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transaction and different elements of such transaction.

**2.6 New accounting standards: issued but not yet effective**

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020 and are expected to be relevant to the Group:

a) *FAS 30 "Impairment and credit losses" (effective January 1, 2020)*

FAS 30 intends to define the accounting principles for impairment and credit losses (including expected credit losses) to be in line with ever-changing global best practices.

b) *FAS 31 "Investment agency - Al-Wakala Bi Al-Istithmar" (effective January 1, 2020)*

FAS 31 impacts the presentation of income and expenses, including variable compensation from Wakala arrangements.

c) *FAS 33 "Investments in sukuk, shares and similar instruments" (effective January 1, 2020)*

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Sharia principles. It defines the key types of instruments of Sharia compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

d) *FAS 34 "Financial reporting for sukuk-holders" (effective January 1, 2020)*

FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including sukuk-holders.

e) *FAS 35 "Risk reserves" (effective January 1, 2021)*

FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risk faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.

The Group is in the process of evaluating the impact of the adoption of the above standards.

**2.7 Significant accounting policies:**

**a) Investment in real estate**

Investment in real estate is initially recognized at cost including directly attributable expenditure. Subsequent to initial recognition, the investment in real estate is stated at fair value, which reflects market conditions at the reporting date.

Any unrealised gains arising from a change in the fair value of investment in real estate shall be recognised directly in equity under "property fair value reserve" for the period in which it arises.

**ESKAN BANK REALTY INCOME TRUST**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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Any unrealised losses resulting from re-measurement at fair value of investment in real estate carried at fair value shall be adjusted in equity against the property fair value reserve, to the extent of the available credit balance of this reserve. In case such losses exceed the available balance, the unrealised losses shall be recognized in the interim consolidated statement of income. In case there are unrealised losses relating to the revaluation of investment in real estate that have been recognized in the interim consolidated statement of income in the previous financial period, the unrealised gains relating to the current financial period shall be recognised to the extent of crediting back such previous losses in the interim consolidated statement of income.

The realised profits or losses resulting from the sale of any investment in real estate shall be measured as the difference between the book value (or carrying amount) and the net cash or cash equivalent proceeds from the sale for each investment separately. The resulting profit or loss together with the available balance on the property fair value reserve account shall be recognized in the interim consolidated statement of income for the current financial period.

**b) Financial assets**

**(i) Classifications**

The Group currently classifies its financial assets as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables comprise of 'Trade receivables' and 'cash and cash equivalents' in the interim consolidated statement of financial position.

**(ii) Recognition and measurement**

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost.

**(iii) Derecognition**

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

**(iv) Impairment of financial assets**

An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the interim consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit ratings), the reversal of the previously recognised impairment loss is recognised in the interim consolidated income statement.

**c) Cash and cash equivalents**

Cash and cash equivalents includes cash at bank with original maturities of three months or less.

**ESKAN BANK REALTY INCOME TRUST**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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**d) Rental and service income receivables**

Rental and service income receivables are amounts due from tenants arising from leases on investment in real estate in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

**e) Financial liabilities**

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost.

**f) Derecognition of financial liabilities**

The Group derecognises a financial liability when the obligation under the liability is discharged.

**g) Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), if not, they are presented as non-current liabilities. Accounts payables are recognized initially at fair value and subsequently measured at amortized cost.

**h) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of equity if, and only if, there is currently an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to EBRIT and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

**(i) Rental income**

Rental income arising from operating leases on investment in real estate is accounted for on a straight-line basis over the lease term and is included in rental income in the interim consolidated income statement due to its operating nature.

**(ii) Service fee income**

Service fee income represents amounts receivable for property service charges that are payable by tenants to contribute towards the operation and maintenance expenses of the relevant property. Service fees are recognised on a time proportion basis in accordance with the terms of the rental or service agreements.

**j) Property expenses**

Property expenses comprise all property related expenses which include third party property and facility management fees and utility expenses. Property expenses are recognised in the interim consolidated income statement in the period in which they are incurred (on an accruals basis).

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**k) Capital expenditure reserve**

The Investment Manager has forecasted the expected capital expenditure requirements of the real estate properties within the Inaugural Trust Property and established a reserve, to be funded on an ongoing basis, for such expenditures to ensure the properties maintain their income generating capacity and value.

**l) Foreign currencies**

Foreign currency transactions are recognised in the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated at the rates of exchange at that date.

Exchange differences arising on the settlement of transactions and on the retranslation of monetary items are included in the interim consolidated income statement for the period.

**m) Earning prohibited by Shari'ah**

EBRIT is committed to avoiding recognizing any income generated from non-Islamic sources. Accordingly, any non-Islamic income will be credited to a Charity Trust where EBRIT uses these Trusts for social welfare activities. To date, no non-Islamic income has been generated.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**3.1 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*a) Determination of fair market value of investment in real estate*

Valuation of investment in real estate involves judgement and is based on the valuation by independent external valuers.

*b) Impairment of trade receivables*

The Group's Directors periodically reviews items classified as receivables to assess whether a provision for impairment should be recorded in the consolidated statement of operations. The Directors estimate the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. The actual result may differ resulting in future change to such provisions.

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**4. FEES AND EXPENSES**

**4.1 Investment management fee**

The Investment Manager will be entitled to receive the following fees payable from the Trust Properties:

- a) BHD 50,000 per annum if the Trust's Gross Asset Value over a trailing 12-month period is below or equal to BHD 25,000,000; or
- b) 0.5% per annum of the Gross Asset Value of the Trust if the Trust's Gross Asset Value over a trailing 12-month period is in excess of BHD 25,000,000.

The Investment Manager is entitled to a performance incentive as follows:

The Investment Manager is entitled to a performance incentive should (a) distributions of Net Distributable Income to Unitholders, calculated at the end of each Financial Year, by dividing such distributions by the Offer Price exceed 7% (the amount of such excess distribution, the "**Excess Distribution**"); and (b) the NAV calculated at the end of same Financial Year be higher than the NAV calculated at the end of the last Financial Year where a performance incentive was paid to the Investment Manager or, should no performance incentive have been paid to the Investment Manager prior to the end of a Financial Year, the NAV calculated at the end of such Financial Year be higher than the NAV as at the Issue Date. In any such case the Excess Distribution shall be allocated at 30:70 between the Investment Manager and the Unitholders, and any amendment to the profit should be done following obtaining the approval of the Trustee.

The Sub-Investment Manager shall not be separately entitled to fees and shall share in the Investment Management Fees in accordance with an agreement between the Investment Manager and such Sub-Investment Manager.

**4.2 Administration fee**

The annual Administrator fees charged to the Group for the services provided are determined as follows:

- a) BHD 10,000 if the weighted average of the NAV across the year is less than or equal to BHD 25 million; or
- b) the higher of BHD 17,500 or 0.07% of the weighted average of the NAV across the year if the weighted average of the NAV across the year is greater than BHD 25 million; and
- c) BHD 1,000 per year per Subsidiary.

**4.3 Custody fee**

Under the Custody Agreement, the annual Custodian fees charged to the Trust for the services provided are expected to equate to BHD 2,000 per annum.

**4.4 Registrar fee**

As per the Registrar Agreement, the annual Registrar fees charged to the Trust for the services provided are dependent on the number of outstanding Unitholders and are expected to range between BHD 2,000 and BHD 10,000 per annum.

**4.5 Trustee fee**

The annual Trustee's fees charged to the Trust for the services provided are expected to equate to BHD 20,000 per annum.



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**4.6 Property appraiser fee**

The Property Appraiser is entitled for the services provided to the Group a fee up to BHD 5,450 per annum.

**4.7 Property manager fee**

The Property Manager is entitled to a monthly fee up to BHD 9,400 in addition to leasing agency fees equivalent to 1-month rent on successfully arranging new tenants.

**4.8 Regulatory fee**

The Bahrain Bourse is entitled to an annual fee of BHD 5,000 and the CBB is entitled to an annual fee of BHD 2,000.

**4.9 Shari'ah board member fee**

The annual Trustee's fees charged to the Trust for the services provided are expected to equate to BHD 1,000 per Shari'ah board member per annum.

**5. INVESTMENT IN REAL ESTATE**

The following table shows the movement in investment in real estate:

	June 30, 2019	December 31, 2018
	BHD	BHD
Balance at the beginning of the period	16,520,000	19,700,000
Additional investment during the period	74,381	-
Net unrealised loss on revaluation of investment in real estate	(5,563,381)	(3,180,000)
Balance at the end of the period	<u>11,031,000</u>	<u>16,520,000</u>

Schedule of investment in real estate as at June 30, 2019:

		Fair value	
	Cost	June 30, 2019	December 31, 2018
	BHD	BHD	BHD
Segaya Plaza	11,150,000	5,620,000	11,000,000
Danaat Al Madina	8,550,000	5,411,000	5,520,000
	<u>19,700,000</u>	<u>11,031,000</u>	<u>16,520,000</u>

As at June 30, 2019, the Group held total investment in real estate amounting to BHD 11,031,000 (December 31, 2018: BHD 16,520,000) in two properties located in the Kingdom of Bahrain. During the period, the Group made an additional investment on investment in real estate amounting to BD 74,381.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS") and are undertaken by appropriately qualified valuers who are members of RICS and who have recent experience in the locations and categories of properties being valued. The investment in real estate has been valued by an independent external appraiser – Knight Frank Spain Saudi Arabia Real Estate Valuations Company. Both these properties have been leased out. The Trust has recognised the decline in fair value based on the third party valuation.

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Investment in real estate are stated at fair value, being the estimated amount for which a property would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. Fair value is estimated based on the Income Approach (direct capitalization) Method as described below.

The income approach is a recognized valuation approach in many world markets where real estate is held as an investment. It is used to value tenanted property for which there is good market comparable evidence of rents paid by tenants and of capital sales.

The capitalization or income multiplier approach is the simplest form of this approach (price earnings ratios are used in equity share markets). Earnings or income in the case of property is the rent received by an owner when a property is tenanted.

***Sensitivity analysis to significant changes to unobservable inputs within Level 3 of the hierarchy***

The significant unobservable inputs used in the fair value measurement of investment properties is the yield rate. The yield rate is an expression of the relationship between price paid by buyers and the expected income to be derived from ownership. Significant increases / (decreases) in the yield rate in isolation would result in a significantly higher / (lower) fair value measurement.

**6. TRADE RECEIVABLES**

	June 30, 2019	December 31, 2018
	BHD	BHD
Property rental & service charge receivable (Note 9.1(b))	496,093	482,591
Allowance for impairment on trade receivables	(80,369)	(34,955)
Total	<u>415,724</u>	<u>447,636</u>

**7. CASH AND CASH EQUIVALENTS**

	June 30, 2019	December 31, 2018
	BHD	BHD
Current accounts	<u>304,634</u>	<u>374,158</u>

**8. TRADE AND OTHER PAYABLES**

	June 30, 2019	December 31, 2018
	BHD	BHD
Dividend payable (Note 9.3)	196,693	57,122
Security deposit – refundable	86,650	81,688
Advance rent	28,948	22,966
Property expenses payable	26,887	48,694
Accrued fees (Note 8.1)	21,525	34,400
Other payables	8,119	-
	<u>368,822</u>	<u>244,870</u>

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**8.1 Accrued fees**

	June 30, 2019 BHD	December 31, 2018 BHD
Property manager fee	7,450	21,600
Administration fees	2,500	2,500
Audit fees	6,575	5,000
Registrar fees	1,000	2,000
Other fees and expenses	4,000	3,300
	<u>21,525</u>	<u>34,400</u>

**9. RELATED PARTIES**

Related parties comprise of the Trustees, Investment Manager, Sub-Investment Manager & Market Maker and associated companies, Unitholders, Directors and other key management personnel of the above entities.

**9.1 Transactions with related parties**

During the period, the Group entered into the following transactions with related parties:

Related Party	Nature of Transaction	Six month period ended June 30,	
		2019 BHD	2018 BHD
Eskan Bank B.S.C. (c)	Management fees	25,000	25,000
Crestbridge Bahrain B.S.C (c)	Trustee & custodian fees	11,000	11,000

**(a) The following related parties owned units in the Group:**

Related Party	Nature of Relationship	Units held at	
		June 30, 2019	December 31, 2018
Eskan Bank B.S.C. (c)	Investment Manager of the Trust	63,618,044	63,618,044
SICO B.S.C. (c)	Sub-Investment Manager	9,900,000	9,900,000
SICO B.S.C. (c)	Market Maker	5,736,261	3,649,000
Bahrain Liquidity Fund	Operated by SICO	5,277,700	5,277,700

- (b)** As at June 30, 2019, BHD 9,141 receivable balance is included in property rental & service charges receivable (Note 6) from Eskan Bank B.S.C. (c) in connection with rental of 4 units at Danaat Al Madina (December 31, 2018: No balance was included in property & service charges receivable).

**9.2 Balance due to related parties**

	June 30, 2019 BHD	December 31, 2018 BHD
Eskan Bank B.S.C. (c) (Management fee payable)	8,333	4,167
Crestbridge Bahrain B.S.C (c) (Trustee and Custody fees payable)	4,500	4,500
	<u>12,833</u>	<u>8,667</u>

- 9.3** As at June 30, 2019, BHD 95,566 payable balance is included in dividend payables (Note 8) to Eskan Bank B.S.C (c) (December 31, 2018: Nil).

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**9.4 Key management compensation**

The trust does not have any direct employees and uses the services of a Trustee, Investment Manager (who in turn has appointed a Sub-Investment Manager), a Property Manager, a Property Appraiser, an Administrator and a Custodian for the management, administration and custody functions. Accordingly there was no key management compensation for the period ended June 30, 2019 and June 30, 2018.

**10. DIVIDENDS**

The Board of Directors on April 30, 2019 declared a dividend at 3% of the unit's capital of the Trust for the period July 1, 2018 to December 31, 2018, after obtaining CBB approval.

**11. UNIT CAPITAL**

The capital of the Trust consists of 198,000,000 units with a par value of BHD 0.100 per unit. The units represent beneficial interest in the Trust, divided into interest of one class only.

The units shall be entitled to the rights and subject to the limitations, restrictions and conditions set out in the prospectus and the Trust Instrument. The interest of each unitholder shall be determined by the number of units registered in the name of the unitholder.

The units shall be indivisible. However, two persons or more may jointly own one unit, provided that one person shall represent them towards the Trust.

Each unit shall represent a proportionate, undivided beneficial ownership interest in the Trust and shall confer the right to one vote at any meeting of the unitholders and to participate pro rata in any distribution by the Trust, whether of Net Distributable Income of the Trust or other amounts, and in the event of termination or winding-up of the Trust, in the net asset of the Trust remaining after satisfaction of all liabilities. No Unit shall have any preference or priority over any other. Units shall rank among themselves equally and ratably without discrimination, preference or priority.

Units shall be issued and held in dematerialized book entry form with the Central Depository in accordance with the applicable rules of the Module CSD of the CBB Rulebook, Volume 7.

No unitholder shall be entitled to pre-emption rights in any issue of units.

Weighted average number of units for the purposes of calculating earnings per unit for the period/year is 198,000,000 (December 31, 2018: 198,000,000) units.

**12. STATUTORY RESERVE**

The Trust is regulated by the Volume 7 – Collective Investment Undertaking. However, its subsidiaries Segaya Plaza Company B.S.C. (c); and Danaat Al Madina Company B.S.C. (c) follow provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, and are required to transfer an amount equivalent to 10% of the net profit before appropriations to a reserve account until such time as a minimum 50% of the share capital is set aside. Accordingly during this period no transfer has been made to the statutory reserve by the subsidiaries as the statutory reserve has already reached 50% of the share capital.

**13. RENTAL AND SERVICE FEE INCOME**

	Six months period ended June 30, 2019			Six months period ended June 30, 2018		
	Rental income	Service fee income	Total	Rental income	Service fee income	Total
	BHD	BHD	BHD	BHD	BHD	BHD
Segaya Plaza	364,157	11,832	375,989	505,173	16,390	521,563
Danaat Al Madina	232,560	28,842	261,402	224,796	24,803	249,599
	<u>596,717</u>	<u>40,674</u>	<u>637,391</u>	<u>729,969</u>	<u>41,193</u>	<u>771,162</u>

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**14. PROPERTY OPERATING EXPENSES**

	Six months period ended June 30,	
	2019	2018
	BHD	BHD
Property management expenses	128,223	133,858
Property management fee	44,200	41,950
	<u>172,423</u>	<u>175,808</u>

**15. OTHER INCOME**

	Six months period ended June 30,	
	2019	2018
	BHD	BHD
Performance supplement	95,288	46,623

Pursuant to the Investment Management Agreement, and whilst not a mandatory obligation on the Investment Manager, the Investment Manager intends to supplement (the "Performance supplement") the annualized Net Distributable Income of the Trust for any Interim Distribution Period or Distribution Period in which the annualized Net Distributable Income falls below 6 percent of the Offer Price. Accordingly, taking into consideration the Net Distributable Income for the year ended December 31, 2018, the Investment Manager has agreed to provide an amount of BHD 95,288 as Performance supplement during the current period.

**16. BUSINESS AND GEOGRAPHIC SEGMENTS**

The Directors are of the opinion that the Group is mainly engaged in a single segment of business, being investments in income generating real estate properties located in the Kingdom of Bahrain.

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments consist of financial assets and financial liabilities.

*Financial assets of the Group include cash and cash equivalents and trade receivables.*

*Financial liabilities of the Group include trade and other payables and due to related parties.*

**Significant accounting policies**

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognized in respect of each class of financial assets and financial liabilities are set out in Note 2.

**ESKAN BANK REALTY INCOME TRUST**  
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**Categories of financial instruments**

	June 30, 2019	December 31, 2018
	BHD	BHD
<b>Financial assets</b>		
Trade receivables	415,724	447,636
Cash and cash equivalents	<u>304,634</u>	<u>374,158</u>
	<u>720,358</u>	<u>821,794</u>
<b>Financial liabilities</b>		
Trade and other payables	339,874	221,904
Due to related parties	<u>12,833</u>	<u>8,667</u>
	<u>352,707</u>	<u>230,571</u>

**Financial risk management objectives**

The Investment Manager provides investment management services to the Group and monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk, liquidity risk and market risk (foreign currency risk, equity price risk and profit rate risk).

The risk associated with financial instruments and the Group's approaches to managing such risks are:

**17.1 Credit risk**

The credit risk faced by the Group is the risk of a financial loss if (i) tenants fail to make rental payments or meet other obligations under their leases or (ii) a counterparty to a financial instrument or other financial arrangement fails to meet its obligations under that instrument or arrangement.

(i) Tenants

The Group maintains the property portfolio under continual review through the appointed property manager to minimize tenant credit risk. Tenants occupying under existing leases at the time of the acquisition of an interest in a property are actively monitored for timely payment of rent and other obligations following the acquisition. New tenants that commence occupation subsequent to the acquisition of an interest in a property are assessed at the time of entering a lease.

The Group engages external property management agents to manage the payment of rents by tenants. The Group through the Investment Manager remains actively involved and undertakes regular consideration of tenant profiles, existing and anticipated voids, overdue rents and outstanding rent reviews. Rent deposits are held in respect of all new leases and may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

As at the period ended June 30, 2019, 68% (June 30, 2018: 56%) of the property rental and service charge receivable are due from two tenants.

(ii) Financial counterparties

The Group is not exposed to significant credit on liquid funds as it only maintains cash deposits with a bank, with high credit ratings, that is Shari'ah compliant and regulated by the Central Bank of Bahrain.

*Maximum exposure to credit risk*

The Directors of the Group believe that the carrying amount of financial assets recorded in the interim consolidated financial statements at the reporting date represents the Group's maximum exposure to credit risk.

Recorded financial assets have not been provided as collateral for any facilities.

**ESKAN BANK REALTY INCOME TRUST**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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**17.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected.

The Group manages liquidity risk by maintaining sufficient cash at banks or by obtaining credit facilities from the banks.

**17.3 Market risk**

Market risk is the risk that the fair value and/or future cash flows of financial instruments will be adversely affected by the movements in markets variables. The Group is not currently exposed to significant fluctuations with Currency Risk, Equity Price Risk, and Profit Rate Risk.

a) Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group may hold assets denominated in currencies other than its functional currency of BHD. All of the assets of the Group are denominated in BHD and accordingly, the Group is not exposed to currency risk.

b) Equity price risk

Equity price risk is the sensitivity of the Group to movements in the value of its investments in equity. As the Group does not currently hold any such investments, it is not exposed to any equity price risk.

c) Profit rate risk

Profit rate risk is the risk that changes in profit rates will affect future cash flows or the fair value of financial instruments of the Group. Given that the Group does not have any profit rate bearing assets, it is not exposed to profit rate risk.

**17.4 Concentration risk:**

All the real estate investment of the Group is located in the Kingdom of Bahrain. Decreased government revenue from reduced oil prices may have a negative effect on Bahrain economy and in turn on the Group's Properties. Emerging markets such as Bahrain are generally susceptible to greater risk than in more developed markets. Any unexpected changes in the political, social, economic or other conditions in Bahrain may have a material adverse effect on the investment in real estate of the Group.

**18. FAIR VALUES:**

Fair value is the value representing an estimate of the amount of cash or cash equivalent that would be received for an asset sold or amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors believe that the fair values of financial instruments recorded at amortised cost at the reporting date are not significantly different from the carrying values included in the interim consolidated financial statements.

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**18.1 Fair value measurements recognized in the interim consolidated statement of financial position**

Fair value measurements subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment in real estate carried at fair value are categorized within level 3 of the fair value hierarchy.

There were no transfers between Level 1, Level 2 and Level 3 during the period.

**19. NET ASSET VALUE PER UNIT**

	Net Assets Value BHD	Number of Units in issue	Net Assets Value Per Unit BHD
As at June 30, 2019	11,372,203	198,000,000	0.0574
As at December 31, 2018	17,088,757	198,000,000	0.0863

The net asset value per unit is based on the net assets value and units outstanding as at June 30, 2019 and December 31, 2018.

**20. (LOSS) / EARNINGS PER UNIT**

(Loss) / earnings per unit are calculated by dividing the loss / profit for the period attributable to unitholders of the EBRIT by the weighted average number of units outstanding during the period.

	Six months period ended June 30,	
	2019	2018
(Loss) / profit attributable to unitholders - BHD	(5,122,554)	590,156
Weighted average number of units outstanding - units	198,000,000	198,000,000
(Loss) / earnings per unit – BHD	(0.0259)	0.0030

As this is a closed-ended real estate investment trust, diluted earnings per unit is not applicable.



**ESKAN BANK REALTY INCOME TRUST**  
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**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

**21. NET DISTRIBUTABLE INCOME**

"Net Distributable Income" is defined in Clause 9.5 (e) of the Trust Instrument and is arrived at as follows:

	Note	Six months period ended June 30,	
		2019 BHD	2018 BHD
Opening balance		498,712	547,377
(Loss) / profit for the period		(5,122,554)	590,156
Add back unrealized fair value loss pertaining to the Trust property	5	5,563,381	-
Add back allowance for impairment on trade receivables	6	45,414	-
Deduct capital expenditure reserve	2.7 (k)	(1,000)	(1,000)
<b>Net distributable income</b>		<b>983,953</b>	<b>1,136,533</b>
Dividend distributed		(594,000)	(594,000)
<b>Net distributable income available</b>		<b>389,953</b>	<b>542,533</b>

**ANNEXURE**  
**ADDITIONAL DISCLOSURES**

**ESKAN BANK REALTY INCOME TRUST**  
**ANNEXURE A: INTERIM CONSOLIDATED STATEMENT OF**  
**PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING**  
**AS AT JUNE 30, 2019**

	June 30, 2019		December 31, 2018	
	BHD	% of portfolio	BHD	% of portfolio
<b>Investments:</b>				
Investment in real estate:				
Segaya Plaza	5,620,000	49.10%	11,000,000	64.83%
Danaat Al Madina	5,411,000	47.27%	5,520,000	32.53%
	<u>11,031,000</u>	<u>96.37%</u>	<u>16,520,000</u>	<u>97.36%</u>
<b>Receivable:</b>				
Rent and service charges receivable	415,724	3.63%	447,636	2.64%
	<u>11,446,724</u>	<u>100.00%</u>	<u>16,967,636</u>	<u>100.00%</u>

**ESKAN BANK REALTY INCOME TRUST**  
**ANNEXURE B: INTERIM CONSOLIDATED STATEMENT OF FINANCIAL HIGHLIGHTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

<b>Per Unit</b>	Six month period ended June 30,	
	2019 BHD	2018 BHD
<b>Net asset value at the beginning of the period</b>	<b>0.0863</b>	<b>0.1028</b>
<b>Income from investments</b>		
Net income from investments	0.0022	0.0030
Net unrealized losses from investments	(0.0281)	-
<b>Total income from investments</b>	<b>0.0604</b>	<b>0.1058</b>
<b>Distributions to unitholders</b>		
From net income on investment	(0.0030)	(0.0030)
<b>Total distributions</b>	<b>(0.0030)</b>	<b>(0.0030)</b>
<b>Net asset value at the end of the period</b>	<b>0.0574</b>	<b>0.1028</b>
<b>Financial ratios/supplemental data</b>		
Total net assets at the end of the period	11,372,203	20,346,533
Weighted average net assets	16,591,269	20,404,397
Ratio of expenses to weighted average net assets	0.0149:1	0.0112:1
Turnover rate of portfolio investments, receivables and financing	N.A.	N.A.
Period rate of return	(30.87%)	2.89%

**Disclosure of the methods used to calculate the following:**

**a) Ratio of expenses to weighted average net assets**

The ratio of expenses is computed taking the total expenses for the period divided by the weighted net assets of the Fund during the period.

**b) Period rate of return**

The period rate of return is computed by dividing the net income / (loss) for the period by the weighted average net assets of the Fund during the period.

**ESKAN BANK REALTY INCOME TRUST**  
**ANNEXURE C: ADDITIONAL DISCLOSURES**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

**Additional Disclosures**

The additional disclosures as required by "BRT-3.1 General Requirements" to the Rulebook on Collective Investment Undertakings (CIU) – Volume 7 on Capital Markets are as follows:

BRT-3.1.1- Jointly Controlled Entities- Not Applicable as EBRIT does not have any joint ownership in any investment.

BRT-3.1.2- Financing and Debt Position - Not Applicable as EBRIT does not have any Financing or Debt.

BRT-3.1.4- Portfolio Performances (as extracted from valuation report dated July 22, 2019 provided by Knight Frank):

<b>Properties</b>	<b>Segaya Plaza</b>	<b>Danaat Al Madina</b>
<b>a) Address of the asset;</b>	Segaya Plaza, Oman Ave, Manama, Kingdom of Bahrain	Danaat Al Madina, Isa Town, Kingdom of Bahrain
<b>b) Acquisition date;</b>	November 10, 2016	November 10, 2016
<b>c) Type of property including the respective proportion allocated to office/retail/residential/parking;</b>	Residential (80.7%), Retail (19.3%)	Offices (95%), Retail (43.0%)
<b>d) Land area;</b>	5,469 sq m	29,014 sq m*
<b>e) Gross/lettable building space;</b>	Net lettable area is 15,893 sq m	Net lettable area is 10,460 sq m
<b>f) Current valuation;</b>	BHD 5,620,000	BHD 5,411,000
<b>g) Valuation discount rate;</b>	The valuation utilized an 11.5% discount rate for projected cashflows and a 9.0% terminal capitalization rate	The valuation utilized an 11.0% discount rate for projected cashflows and a 8.5% terminal capitalization rate
<b>h) Average passing rent per square meter;</b>	BHD 47.32 **	BHD 49.98 **
<b>i) Current level of leasing incentives for each asset;</b>	3 To 6 months grace period to new tenants	3 To 6 months grace period to new tenants
<b>j) Annualized net rent based on current rent roll;</b>	BHD 751,978 ***	BHD 522,804 ***
<b>k) Vacant space of a building and any large impending lease expiries;</b>	-Vacant Space: The combined space is approximately 85.6% vacant. -large lease expired: 105 residential apartments	-Vacant Space: The combined space is approximately 17.5% vacant. -large impending lease expiries: Not Applicable
<b>l) Operating profit (after property expenses);</b>	Current net rental income stands at BHD 265,274 per annum – after operating costs	Current net rental income stands at BHD 199,694 per annum – after operating costs
<b>m) Percentage of ownership (and commentary on control provisions);</b>	100%	100%
<b>n) Form of ownership (e.g. freehold or leasehold ownership);</b>	Freehold	Freehold
<b>o) Year of construction completion/major refurbishment; and</b>	Construction completion date is May 31, 2014 and no major refurbishments have been carried out since then.	Construction completion date is April 26, 2015 and no major refurbishments have been carried out since then.
<b>p) Impending capital expenditure costs.</b>	Circa BHD 41,902	None

\*Includes land area for certain freehold apartments situated on floors above the retail components which do not form part of the Trust Property

\*\*the average rent per sqm is calculated based on the annualized rent divided by the total net lettable area.

\*\*\* The annualized figures are based on the figures reported in the consolidated statement of operations for the period January 1, 2019 to June 30, 2019, multiplied by 2.