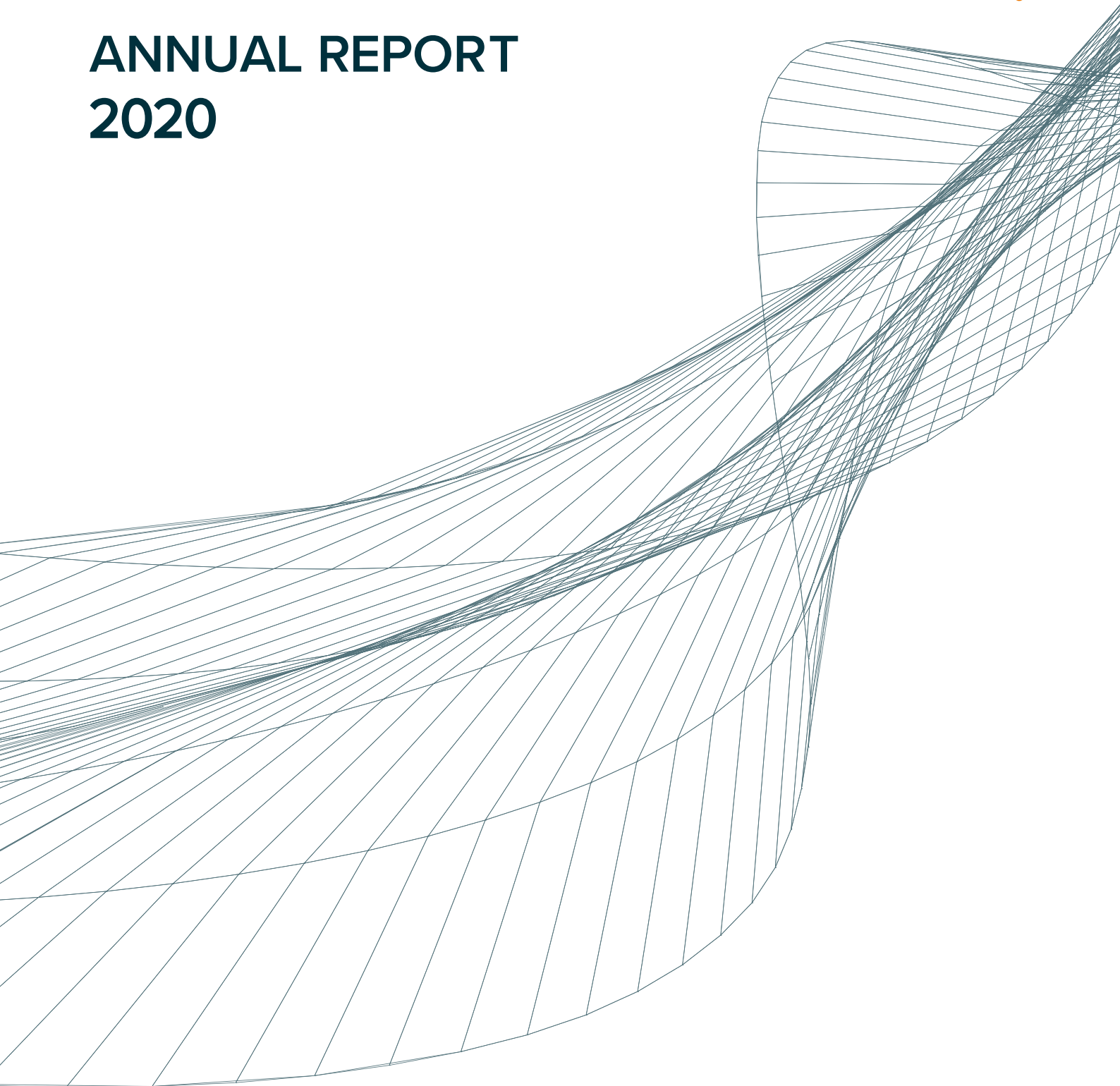


• INOVEST.

ANNUAL REPORT 2020



Inovest B.S.C

Commercial registration number
48848 obtained on 18 June 2002

Registered Office

Bahrain Financial Harbor, East Tower, 19th Floor
P. O. Box. 18334

Manama, Kingdom of Bahrain

Tel: +973 17 155 777

Fax: +973 17 155 888

web:www.inovest.bh

Bankers

Bahrain Islamic Bank B.S.C.

Itthmaar 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, East Tower

Bahrain World Trade Center

Manama, Kingdom of Bahrain

Share Registrars

Bahrain Clear

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



His Majesty
King Hamad bin Isa Al Khalifa
The King of the Kingdom of
Bahrain



His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince, Deputy Supreme
Commander and Prime Minister
of the Kingdom of Bahrain

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BOARD OF DIRECTORS



**Dr. Omar Salem
Al Mutawa**
Chairman



**Mr. Bashar Naser
Al Tuwaijri**
Vice Chairman



**Mr. Meshari Fuad
Al Fozan**
Board Member



**Mr. Khaled Abdulaziz
Al Ghanem**
Board Member



**Mr. Meshal Yousef
Al Zayed**
Board Member



**Mr. Abdulrahman
Hesham Al Neseef**
Board Member



**Mr. Yaqoub Yousef
Bandar**
Board Member

SHARIAH SUPERVISORY COMMITTEE



**Sheikh Dr. Khalid Shuja'a
Al-Otaibi**
Chairman



Sheikh Dr. Murad Bou Daia
Member



**Sheikh Dr. Dawoud
Salman Bin Essa**
Executive Member

● BOARD OF ● DIRECTORS' ● REPORT

In the name of Allah, Most Gracious, Most Merciful.

On behalf of myself and the members of the Board of Directors, I am pleased to present the Group annual report for the financial year ending on the 31st of December 2020.

Overall Performance

This year the world faced an international crisis on an unexpected and truly profound scale; one that impacted millions of households, companies, nations, and global systems. Socially, economically, and politically, the brunt of the COVID 19 pandemic has been felt across all corners of the globe. By all accounts 2020 has been a very different year which has left very many tenets and norms of society and business altered in its wake. Though there remains a good deal of uncertainty and apprehension around future outlooks, there have also been definite strides made towards recovery and restoration with a variety of vaccines and treatments paving the way in curbing the pandemic. This no doubt will remain a focus as we move into 2021, on a national level for the Kingdom's taskforce, and moreover on global level as we seek and move towards the throes of recovery.

At a corporate level, having early on acknowledged the imminent severity of the pandemic, INOVEST took on a collection of precautionary measures; the most prominent of which was reduction and control of operational expenses and reoccurring costs, as well as greater cross-utilization of our team resources across the Group. Moreover, INOVEST has taken a guarded approach to new investments, with a heightened value being placed on the importance of liquidity at this time. The Group will continue to monitor the economic and investment climate closely and will consider all the necessary measures for the preservation of the Group's assets and performance at the forefront of our actions.

On that note, and even against this backdrop of continuous change, INOVEST has still been able to deliver a profitable year. As at year ended December 31st 2020, INOVEST reported a net profit attributable to parent shareholders of US\$5 million, and further maintained grounds in its key financial indicators, with Return on Equity standing at 3.4% and Return on Assets at 2.4%. The Group also reported that Basic and Diluted Earnings Per Share of the parent company amounted to US cents 1.6. Furthermore, the Equity Attributable to Parent Shareholders, increased by 3% to stand at US\$142 million at the end of the of December 31st, 2020 in comparison to US\$138 million at 2019 year-end. Within the same period, INOVEST maintained a healthy liquidity ratio, with cash and bank balances representing a healthy 9.7% of the total consolidated assets.

Inovest has, as a group, made several decisions this year with the goal of better positioning the company towards a more productive year ahead. This has included major settlements with an investment firm and with a local financial institution, which ultimately manifested in a stronger financial position for INOVEST. On an investment front, INOVEST stayed true to the primary pillars of its investment strategy, having acquired 45% of Advanced Projects Group Holding WLL, the only specialized regional manufacturer of Wood Plastic Composite (WPC) products with a wide range of business and construction applications and a promising level of market demand. We further placed a considerable amount of effort in maintaining and growing our ongoing investments. Work has begun on expanding the BIW Labour Accommodations project, with the construction of 6 new buildings, the development of additional floors on the existing towers, and the addition of retail outlets to serve the growing community. Approvals are also being sought for the development of a desalination station which will serve to reduce operational costs

DR. OMAR AL MUTAWA

BOARD CHAIRMAN



associated to the Labor Accommodations. In our storage and logistics investments, Takhzeen will be marking 10 years of consistently successful operation in a matter of months. As for progress in Durrat Marina, several steps were taken to improve project standing including the settlement of several debts, which resulted in the release of real estate assets and substantial relief in terms of liquidity. Additionally, specific effort and focus was placed on effectively reducing operating expenses, and to bringing forward construction of the project's power station which will serve the main up and coming residential and commercial projects within the marina, as well as the marina itself. Finally, on a Group organizational front, this year brought about the overall appraisal and administrative development of our corporate assets and the restructuring of our key subsidiaries towards greater alignment with our intended growth and our strategic vision.

Future Outlook

The path ahead in 2021 is a difficult one to concretely predict, however we do know it will be characterized by a firm sense of diligence, reality, and pragmatism, led by the executive team. On a strategic front, though our corporate strategy with its principles of sustainability and growth has served us well, we recognize the weight and importance of re-evaluating it through the knowing lenses of all that has transpired in this past year. Generally, it is expected that our investment approach will be a guarded one in the year to come, with our priority being growth of our income generating assets and taking on acquisitions with a prudent view of risk and reward. Operationally, we will continue to streamline our efforts towards enhanced efficiency and effectiveness on a Group-wide front. To that end we will continue to support our key subsidiaries and ensure they deliver to their fullest potential. Ultimately, be assured that INOVEST will stay true to and be guided by its mandate of standing amongst the ranks of leading investment organizations within the region.

In Closing

In my capacity as Chairman of INOVEST, and on behalf of my colleagues the members of the Board of Directors, we take this opportunity to extend our appreciation and thanks to our shareholders, for their ongoing support. We would also like to recognize the executive team and staff members within the Group whose daily contributions are key to our success. Moreover, we thank our investors, partners, and all our stakeholders for their belief and dedication; of particular reference are the Central Bank of Bahrain and Ministry of Industry, Commerce, and Tourism for their consistent support. We pray to Almighty Allah to protect the Kingdom of Bahrain under the wise leadership of His Majesty King Hamad bin Isa Al Khalifa.

We ask Almighty Allah to guide and support us and pave our way to achieving continued success.

On behalf of the Board of Directors,

A handwritten signature in blue ink, appearing to be 'Dr. Omar Al Mutawa', written over a light blue circular stamp.

Dr. Omar Al Mutawa
Board Chairman



Corporate Governance Report



Corporate Governance Report

1. Corporate Governance Structure

The Company is governed by the Commercial Companies Law promulgated by Legislative Decree No. 21 of 2001 ("Companies Law"), Corporate Governance Code of the Kingdom of Bahrain ("Governance Code"), the High-Level Controls Module of Volume 4 and 6 of the CBB Rulebook, and the Bahrain Bourse Law of 1987, generally referred to as "Regulations"

The Company undertakes its responsibility towards its shareholders by adopting the highest standards of corporate governance. The Company believes that the sound implementation of corporate governance enhances shareholder value, and provides adequate guidelines to the Board of Directors, its committees and Executive Management, in order for them to perform their duties in a manner that best serves the Company and its shareholders. The Company seeks to achieve the highest level of transparency, accountability and efficient management through the adoption and pursuit of strategies, objectives and policies that ensure the fulfillment of its organizational and ethical responsibilities.

2. Board of Directors

The Board of Directors consists of seven Board Members, five independent, one non-executive, and one executive.

The Board of Directors was elected in the Ordinary General Assembly held on 12 February 2018 for three years, and a new Board of Directors will be elected in the 2021 Ordinary General Assembly.

2.1 Election Process

The Nomination and Remuneration Committee formed by the Board of Directors reviews the skills and qualifications that the prospective members of the Board of Directors must possess. The General Assembly elects the new candidate after obtaining majority votes in the ballot held for such purpose. Responsibilities are distributed across the Board of Directors in accordance with the Company's Articles of Association and the Commercial Companies Law. Membership of the Board of Directors may be nullified in case, inter alia, the member commits a crime, breaches trust or is declared bankrupt.

2.2 Board's Composition

The Chairman of the Board of Directors oversees the activities of Executive Management and evaluates its performance regularly, in addition to his other responsibilities, that include chairing Board meetings, monitoring the performance of the CEO, and communication with shareholders. The Board of Directors has formed certain committees with specific powers for the sake of guiding the management team, supervising the running of operations and taking decisions in the Company. The Board of Directors supervises the Company's management directly and through its various committees.

The Board of Directors has specified and segregated responsibilities between the Board and the Executive Management. The Board oversees all the activities of the Company and approves the same. It is responsible for Risk Management, the preparation of financial statements and corporate governance. The other issues that require approval of the Board include, inter alia, approval of financial statements, acquisitions and exits. The Board also ensures observance of the basic values of the Company, as prescribed in the internal policies of the Company.

All Company policies are being reviewed and approved on annual basis. In coordination with the Internal Audit Unit, the Risk Management Unit follows-up the validation and implementation of the policies and procedures under the supervision of the relevant committees. The Board of Directors is also responsible for approving Related Party transactions, subject to the schedule of Authorities adopted by the Company. The Board of Directors is also responsible for preparing the consolidated financial statements of the Company.

The members of the Board may communicate with the Company's Executive Management at all times. The CEO, in cooperation with the management team, shall monitor the Company's performance with regard to specific and (approved) objectives and shall conduct the Company's daily affairs pursuant to the policies, objectives, strategies and guidelines adopted and approved by the Board of Directors from time to time.

The Board of Directors consists of seven members, and their experience is a mix of highly professional and specialized experience in their field of specialization and in the Real Estate Investment field.

INOVEST has a written appointment agreement with each member of the Board of Directors, which recites the members of Board of Director's power, and duties and other matters relating to his appointment including his term, the time commitment envisaged, the committee assignment if any, his remuneration and expense reimbursement entitlement, and his access to independent professional advice when that is needed.

3. Members of the Board of Directors and their other memberships

The following tables show the names and the date of the first membership of the Board of Directors:

Member	Term of Appointment	Date of First Appointment	Date of the end of Current Term	Type of Membership	Position	Notes
Omar Salem Al Mutawa	Three Years	12 February 2018	Q1-2021	Independent	Chairman	-
Bashar Naser Al Tuwajri		29 March 2011		Independent	Vice Chairman	Continuous Membership
Mishari Fuad Al Fozan		12 February 2018		Independent	Member	-
Khaled Abdulaziz Al Ghanem		12 February 2018		Independent	Member	-
Mishal Yousef Al Zayed		12 February 2018		Independent	Member	-
Yaqoub Yousef Bander		12 February 2018		Non- Executive	Member	-
Abdulrahman Hesham Al Neseef		12 February 2018		Executive	Member	-

4. Director Ownership of Shares

None of the shares of the company were owned by Board members as at 31st Dec 2020.

5. Distribution of Shareholding

5.1 Distribution of Shares per Nationality

As of 31 December 2020, the Company's register shows that there were 671 shareholders who own in total 300,836,787 shares. Following is the distribution of shares in the Company per nationality:

Nationality	Number of Shares	Ownership %
Bahraini	20,875,320	6.94
Kuwaiti	247,500,317	82.26
Emirati	24,356,078	8.10
Saudi	6,555,200	2.18
Others	1,549,872	0.52
Total	300,836,787	100

5.2 Shareholders Who Own 5% or more of Company's Shares

The following schedule shows the distribution of share ownership as of 31 December 2020 as per shareholding size:

Shareholders	Number of Shares	State	Ownership %
Gulf Investment House (GIH)	42,930,670	Kuwait	14.27
Mechanism General Trading Company	26,197,500	Kuwait	8.71
Dubai Islamic Bank	20,736,327	United Arab Emirates	6.89

5.3 Distribution of Share Ownership per Quantity/Size

The following schedule shows the distribution of share ownership as of 31 December 2020 as per shareholding size:

Categories:	Number of shares	Number of Shareholders	Ownership %
Less than 1%	75,65,19,56	652	25.15
1% up to less than 5%	135,320,334	16	44.98
5% up to less than 10%	46,933,827	2	15.60
10% up to less than 20%	42,930,670	1	14.27
Total	300,836,787	671	100

5.4 Ownership by Government

None of the shares of the company was owned by the Government as at 31st December 2020.

6. Board of Directors Committees

The Board of Directors formed three committees having specific assignments and powers:

Corporate Governance Committee Members	Position	Responsibilities	Type of Membership
Mishari Fuad Al Fozan	Chairman	Corporate Governance	Independent
Abdulrahman Hesham Al Neseif	Vice Chairman		Executive
Bashar Naser Al Tuwajjri	Member		Independent
Dawoud Salman Bin Essa	Member		Independent

Audit & Risk Committee Members	Position	Responsibilities	Type of Membership
Khaled Abdulaziz Al Ghanem	Chairman	Internal Audit External Audit Compliance Anti-Money Laundering Risk Management	Independent
Abdulrahman Hesham Al Neseif	Vice Chairman		Executive
Yaqoub Yousef Bander	Member		Non-Executive

Nomination & Remuneration Committee Members	Position	Responsibilities	Type of Membership
Omar Salem Al Mutawa	Chairman	Human Resource Compensation & Benefits Management Issues	Independent
Mishari Fuad Al Fozan	Vice Chairman		Independent
Mishal Yousef Al Zayed	Member		Independent

Meetings of the Board of Directors shall be held in accordance with the regulations at least once every quarter and whenever necessary, in addition to the meetings of the Committees of the Board. During 2020, the Board of Directors met four times and the Annual General Meeting of the Company was held on 22 March 2020.

In addition, the Audit & Risk Committee met five times, the Nomination and Remuneration Committee met four times, and the Corporate Governance Committee four times

The Board of Directors and its committees receive periodical reports from Executive Management on all aspects of the Company's activities. The Board also receives periodical reports from the Internal Audit Department, Risk and Compliance Department, and Finance Department.

Audit & Risk Committee

INOVEST's Board formed an Audit & Risk committee of three members, including the chairman as an independent member, one executive member and one non-executive.

The Audit & Risk Committee has relevant financial ability and experience, which include:

The ability to read and understand corporate financial statements including a company's balance sheet, income statement and cash flow statement and changes in shareholders' equity.

An understanding of the accounting principles which are applicable to the company's financial statements, experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in the company's business, an understanding of internal controls and procedures for financial reporting, and an understanding of the audit committee's functions and importance.

The Audit & Risk Committee meets at least 4 time a year. The Committee has a formal written charter.

Nomination and Remuneration Committee:

INOVEST's Board formed a Nomination and Remuneration Committee of three independent members.

The Nomination and Remuneration Committee shall meet at least 4 times a year. The Committee has a formal written charter.

Corporate Governance Committee:

INOVEST's Board formed a Corporate Governance Committee of four members, including three independent members and one executive member.

The Corporate Governance Committee shall meet at least 4 times a year, The Committee has a formal written charter.

Here are the names of the members of the Board of Directors and denominated position and other position they hold:

Dr. Omar Salem Al Mutawa
Chairman
Independent

Dr. Omar Salem Al Mutawa received his bachelor's degree in accounting in 1998 from Kuwait University, and furthered his educational journey with an MBA from the Maastricht Business School in 2005, and a PhD in 2015 from Brunel University in the UK. Dr. Al Mutawa undertook an intensive leadership training program from Cornell University - Harvard Business School.

Dr. Al Mutawa currently holds the post of Executive Manager of National Industries Company. Before this, from 2007-2017 Dr. Al Mutawa served as Deputy CEO of First Investment Company and is currently a Board Member in each of Vision Holding Group and National Industries Group, as well as a Member of the Board and Board of Trustees of Kingdom University in the Kingdom of Bahrain.

Dr. Al Mutawa brings to the table over 20 years of experience in the fields of finance and investment accrued from extensive experience at Kuwait Finance House and Gulf Investment House. This experience is enhanced through his position as Chairman of Al Oula Real Estate Development, and as Vice Chairman and Managing Director of First Education Company. Dr. Al Mutawa has distinguished experience in organizational structure and behavior, leadership, operations and administrative management, as well as in structuring and promoting investment products. Moreover, Dr. Al Mutawa is a specialist in the research of administration and human resources. He has published several articles on the topic and attended numerous international conferences in this field.

Bashar Naser Al Tuwajiri
Vice Chairman
Independent

Mr. Bashar Al Tuwajiri holds a bachelor's degree in Banking and Finance from the University of Kuwait (1996).

Between 1996 and 2003, Mr. Al Tuwajiri held several positions at the National Bank of Kuwait (NBK) before being appointed Corporate Credit Manager.

Mr. Al Tuwajiri joined Gulf Investment House (GIH) in 2004, rising through management ranks to hold the position of Chief Executive Officer till 2019.

Currently, Mr. Al Tuwajiri is managing his own private business, serves as Vice Chairman of the Amar Finance and Leasing Co. in Kuwait, and Chairman of the Afkar Holding in Kuwait. He also holds a certification as a Credit Manager from the Institute of Banking Studies in Kuwait.

Abdulrahman Hesham Al Neseef
Member
Executive

Mr. Abdulrahman Al Neseef obtained a bachelor's degree in Electrical Engineering in 1998 from Kuwait University. In 2006, he joined MENA Real Estate Company in Kuwait, where he held several managerial positions and responsibilities until being appointed CEO. Mr. Al Neseef ultimately left MENA Real Estate Company in 2016.

Mr. Al Neseef currently serves as Chairman of Tamcon Contracting Company in the Kingdom of Bahrain, as well as General Manager of Al Neseef United Contracting Company and Chairman of Solutions Co. for Financial and Accounting Consultancy.

From 1998 to 2006 Mr. Abdulrahman Al Neseef held several positions in several private sector institutions, including International Investor Company and Osoul Investment Company.

Mishal Yusef Al Zayed
Member
Independent

Mr. Mishal Al Zayed holds a bachelor's degree in Business Administration, received in 1998 from the University of Tennessee in the United States of America. In 1999 - 2001, Mr. Al Zayed was a member of the Kuwait Finance House in the field of Credit, moving from there to join Gulf Investment House until 2016 as Director of Marketing.

From 2006 to 2012 Mr. Mishal Al Zayed was a member of the Board of Directors of Arkan Kuwait Real Estate Company and was also Assistant to the Vice President at First Investment Company.

From 2013 to date, Mr. Meshal Al Zayed holds the position of Chief Executive Officer of Althouq International for General Trade and Contracting.

Mishari Fuad Al Fozan**Member****Independent**

Mr. Mishari Al Fozan holds a bachelor's degree in Business Administration from Kuwait University attained 2004. In 2005, he joined the First Investment Company (Kuwait) within the field of Credit Management. By 2006, Mr. Al Fozan joined the Gulf Group for Electrical and Mechanical Works in Kuwait as Human Resources Manager, rising in the ranks until his current position as a Member of the Board of Directors in the Group.

Mr. Al Fozan is currently the CEO of Gulf Group for Mechanical and Electrical Works in Saudi Arabia and is Chairman of Takhzeen Self Storage Company in Bahrain.

Mr. Al Fozan has maintained his academic credentials, undertaking certifications such a Master's in Project Management, as well as a certificate for modern management, comprehensive training on feasibility studies, and in corporate governance, and strategic studies.

Mr. Al Fozan is a General Manager/Owner of Gold Location Real Estate Company.

Khaled Abdulaziz Al Ghanem**Member****Independent**

Mr. Khaled Al Ghanem holds a bachelor's degree in Accounting, received in 1998 from Kuwait University. He started his career in the financial and investment sector where he held several managerial positions in a number of investment and asset and wealth management companies. He also gained solid ground experience through his work with Ernst & Young.

Mr. Al Ghanem has served as a Board Member for several organizations, including Munshaat Real Estate Projects Co., Kuwaiti Manager Holding Co. (KMC Holding), and Athman Financial Advisory Company.

From 2012-2015, Mr. Al Ghanem joined Mawared Holding in Kuwait as Deputy Chief Executive Officer. Today, Mr. Al Ghanem is dedicated to the management and operations of his personal businesses.

Yaqoub Yousef Bander**Member****Non- Executive**

Mr. Yaqoub Bandar holds a Master of Business Administration from the Gulf University for Science and Technology (2011) and holds a bachelor's degree in Finance from Kuwait University (2003). In 2005, he joined Gulf Investment House in Kuwait, where he held several managerial positions and responsibilities, rising in the ranks to become Assistant to the CEO.

Mr. Bandar currently serves as the Vice Chairman of Kuwait Light Food Company, as well as a member of the Board of Directors of Majan Development Company in Oman, and a Board Member of Afkar Holding Company in Kuwait. Mr. Bandar previously served as a member of the Board of Directors of Arkan Al-Kuwait Real Estate Company in Kuwait.

From 2004 to 2005 Mr. Bandar served as an Investment Supervisor at KFH. Mr. Bandar is also an International Certified Valuation Specialist.

7. Dates of Board of Directors Meetings and its Committees

Board of Directors: Four meetings were held during 2020:

Board Member	Meeting Date					Attendance %
	16 February 2020	5 May 2020	28 July 2020	1 November 2020	24 December 2020	
Omar Salem Al Mutawa	✓	✓	✓	✓	✓	100%
Bashar Naser Al Tuwajjri	✗	✓	✓	✓	✓	80%
Abdulrahman Hesham Al Nesef	✓	✓	✓	✓	✓	100%
Mishal Yousef Al Zayed	✓	✓	✓	✓	✗	80%
Mishari Fuad Al Fozan	✓	✓	✓	✗	✓	100%
Khaled Abdulaziz Al Ghanem	✓	✓	✓	✓	✓	100%
Yaqoub Yousef Bander	✓	✓	✓	✓	✓	100%

Nomination and Remuneration Committee: Four meetings were held during 2020:

Board Member	Meeting Date				Attendance %
	16 February 2020	28 May 2020	1 November 2020	24 December 2020	
Omar Salem Al Mutawa	✓	✓	✓	✓	100%
Mishari Fuad Al Fozan	✓	✓	✓	✓	100%
Mishal Yuusef Al Zayed	✓	✓	✓	✗	75%

Corporate Governance Committee: Four meetings were held during 2020:

Board Member	Meeting Date				Attendance %
	16 February 2020	28 May 2020	1 November 2020	24 December 2020	
Mishari Fuad Al Fozan	✓	✓	✓	✓	100%
Abdulrahman Hesham Al Neseef	✓	✓	✓	✓	100%
Bashar Naser Al Tuwajiri	✗	✓	✓	✓	75%
Dawoud Salman Bin Essa	✓	✓	✓	✓	100%

Audit & Risk Committee: six meetings were held during 2020:

Board Member	Meeting Date					Attendance %
	13 Jan 2020	16 February 2020	5 May 2020	28 July 2020	1 November 2020	
Khaled Abdulaziz Al Ghanem	✓	✓	✓	✓	✓	100%
Abdulrahman Hesham Al Neseef	✓	✓	✓	✓	✓	100%
Yaqoub Yousef Bander	✓	✓	✓	✓	✓	100%

8. Code of Ethics

The Board of Directors has adopted a code of ethics applying to all the staff. This code defines how to deal with cases involving conflicts of interest. It obliges all the members of the Board of Directors, Executive Management, and all employees to follow the highest professional measures and care while performing their duties.

All Board members and employees act ethically at all times and adhere to the Company's Code of Conduct.

Where a potential conflict of interest arises for a Board member, the Board member promptly informs the Board of Directors for deliberation and resolution.

Each Board member at INOVEST understands that under INOVEST's rules and regulations he/she is personally accountable to the company and its shareholders if he/she violates the code of ethics and legal duty of loyalty to the company.

Every effort should be made by Board members to ensure that there is no conflict of interest between their personal and business affairs and the interests of the company and its clients and shareholders.

9. Induction and Training of Directors

INOVEST makes sure that all its Board's members have the knowledge, ability and experience to perform the functions required of a Board member. Hence, an awareness program is conducted for the new and existing Board members.

10. Performance Evaluation

In compliance with the Company Corporate Governance Guidelines as well as CBB guidelines, Board carried out a formal performance evaluation for all Board of Directors members. The evaluation is aimed to assess Board effectiveness and support in identifying the need for creating an effective Board, strategic foresight, stewardship, performance evaluation, professional development, engage with Management and performance of Individual Board Members.

The Board conducts an annual evaluation of its performance and the performance of each committee and each individual director.

11. Remuneration

Board of Directors' remuneration takes into consideration the Company performance as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. The AGM determines the Board of Directors' remuneration, and it is subject to the provisions of the Commercial Companies Law and to any decisions issued by the Minister of Industry, Commerce and Tourism, as well as the regulations of the Central Bank of Bahrain.

INOVEST's Board of Directors establish a Remuneration Committee to review and adopt the remuneration policies, and to monitor the remuneration system and ensure its proper implementation and management, and to make recommendations concerning the remuneration of the Board of Directors in the General Assembly meeting. The total Board remuneration was US\$ 45,888 in 2020.

12. Compliance with Regulatory Authorities Requirements

Being an Islamic Financial Institution, the Company observes a Policy of compliance at all times with the rules and regulations of regulatory authorities. It is Company Policy to disclose all events of non-compliance whenever they occur. Compliance has been improved through ongoing enhancement of the governance framework, the bedding-in of the comprehensive Corporate Governance Guide, in accordance with the Corporate Governance Code and CBB Rulebook HC Module, as prescribed in the Central Bank of Bahrain Rule Book. The Corporate Governance Guide includes a code of ethics for the Board and all committees under it. It also includes a Conflicts of Interest Policy, procedures for the reporting of offences, basic guiding principles for corporate governance, Board members' appointment agreement, Board members' performance evaluation Policy, and an External Advisors policy.

The Company continues to review and develop its corporate governance framework, in accordance with the changing requirements of regulatory authorities, and in compliance with global corporate governance best practice. In the interest of maintaining the highest standards of Corporate Governance at the company, and for its shareholders, the company is committed to keeping the members of the Board of Directors apprised of industry best practice, and to addressing any of their queries with regard to sound Corporate Governance. The Company, through the Board of Directors and its committees, aims to meet the highest standards of corporate governance, in the interest of its shareholders

13. Sharia Supervisory Board

The Sharia Supervisory Board consists of three members who monitor compliance by the Company with the general principles and rules of Islamic Sharia, Fatwas, resolutions and guidelines issued for such purpose. The Board's reviews include examining and reviewing the evidences related to the documents and the procedures followed by the Company to ensure that all its activities and business transactions are in compliance with the principles and rules of Islamic Sharia. Following are the names of members of the Sharia Supervisory Board with a summarized profile of each.

Shaikh Dr. Mourad Bou Daia

Shaikh Dr. Bou Daia holds several esteemed positions; as a doctorate in Islamic Jurisprudence, he is also a researcher and interpreter of the laws of jurisprudence in Kuwait, as well as teacher working in collaboration with Kuwait University's College of Sharia. Shaikh Dr. Bou Daia is a member of several shariah committees in Qatar, and in a number of committees dedicated to the knowledge and supervision of shariah laws at the Ministry of Social Welfare in Kuwait. He is an active participant in several conferences on the knowledge and interpretation of Shariah laws, in Kuwait and abroad. Shaikh Dr. Bou Daia is a published author of several research studies related to the principles of shariah law. He serves as an advisor in Taiba Financial Sharia Consultation.

Shaikh Dr. Dawoud Salman bin Essa

Shaikh Dr. Bin Essa holds a PhD in Jurisprudence, Fundamentals of Jurisprudence, Financial Transactions and Governance and is a university professor at the Kuwaiti International College of Law, and also works as a Sharia financial advisor and general manager of the Taiba Sharia Consulting Company. Certified accountant by the Association of Accountants with a certificate (CZA), as well as he is a Sharia auditor with a certificate (CSA) from the Institute of Banking Studies, which is a certificate approved by the Central Bank of Kuwait, and he has participated in many jurisprudential and specialized conferences in Sharia audit. Sheikh Dr. Daoud bin Issa is an expert in governance, as he has worked in Sharia auditing and oversight in many Islamic financial institutions inside Kuwait since 2005 AD. He has also written a book entitled Governance and its Applications to Sharia Auditing and Supervision. He also participated in establishing a number of local Sharia consulting firms, and also participated in Membership of the Sharia Board of some companies in Kuwait.

Shaikh Dr. Khaled Shoja'a Al-Otaibi

Shaikh Dr. Al-Otaibi holds a doctorate in Islamic Jurisprudence and its originating principles. He is a member of the Faculty of Shariah and Islamic Studies - Jurisprudence Department, and an assistant professor at the Faculty of Basic Education. His background includes memberships in numerous committees including: member in the Shariah Board of Kuwaiti House of Zakat, member of the association of Jurisprudence and Shariah in America, a former member of the council for mosques, former member of the Committee for Endowments and Awaqaf, a member of the Shariah Board for Imtiyaz, a former member of the Shariah Board for UIB (Bahrain), a former member of the Shariah Commission associated with AIMashair for Hajj and Umrah services, and a former member of the Shariah Commission for Ain, a Takaful Insurance company.

14. Executive Management's Committees

The Board of Directors has delegated the day-to-day management of the Company's affairs to the CEO who is responsible for the implementation of the strategic plan of the Company. The CEO manages the Company through the following management committees:

Committee Name	Primary Responsibilities
Management Committee	<ul style="list-style-type: none"> • Corporate Strategy • Performance Assessment • Finance • HR • Administrative Issues
Assets & Liabilities Committee	<ul style="list-style-type: none"> • Manage the Balance Sheet • Financial Management • Liquidity Management • Banking Relations
Investment Management Committee	<ul style="list-style-type: none"> • Review of Investments • Exits Processes • Acquisitions Processes
Executive Risk Management Committee	<ul style="list-style-type: none"> • Risk Management Policies • Risk Management Strategy • Risk Review • Risk Assessment • Compliance Policy • Provisioning

15. Executive Management and Senior Management

Following are the job titles of the members of the Executive Management of the Company:

Yasser Hamad Al Jar **Chief Executive Officer**

Mr. Yaser Al Jar is a seasoned professional with over 20 years of experience focused in the fields of audit and assurance services, commercial banking, investment banking, and real estate. Mr. Al Jar joined the Group in August 2011 as “Executive Director – Finance” in Al Khaleej Development Co. (Tameer), a wholly owned subsidiary of Inovent, and continued his journey to become Chief Executive Officer of INOVEST in 2019. Mr. Al Jar started his career in 1998, in the domain of external assurance services with Arthur Anderson, one of the largest international audit firms at that time. Subsequently, Al Jar held a number of key positions as Financial Controller in a number of reputable financial institutions, namely Shamil Bank of Bahrain (which has merged with Ithmaar Bank) and Qatar First Investment Bank. During this period, Mr. Al Jar was nominated on several Board committees, most significantly on the Executive Management Committee. Mr. Al Jar has the distinguished credentials of having worked in the Islamic banking sector on numerous levels, from dealing with a range of business products, to deal sourcing, and interacting with third parties, as well as financial and investment structuring. He further sits on the Boards of a number of real estate and construction-based companies.

Mr. Al Jar holds a B.Sc in Accounting from the University of Bahrain. He holds CIPA and CSAA certificates from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is an accredited instructor of the Islamic Accounting Standards issued by AAOIFI and member of the Technical Advisory and Interpretations Committee of AAOIFI. Furthermore, Mr. Al Jar is member of the working groups originated by AAOIFI to review and formulate the Islamic Accounting Standards.

Talal Abdulaziz Al Mulla **Chief Investment Officer**

Mr. Talal Al Mulla joins the INOVEST team with over 19 years of experience in investment banking with an established track record in developing and managing investment portfolios as well as handling quasi-debt financing, capital preservation and return distribution.

Throughout his career, Mr. Al Mulla has held several progressive posts, including his most recent as Chief Investment Officer at Al Salam Bank Bahrain, where he played a critical role in deal sourcing and negotiation, structuring, risk management and portfolio control, as well as exit strategizing. Talal's background as both an accountant and an auditor further adds a specialized risk management and financial control framework to his investment acumen.

Mr. Al Mulla holds a B.Sc in Accounting from the University of Bahrain, and also holds CPA and CIA accreditations.

Dana Mohammed Al Haddad **Head of Corporate Communications & HR**

With over 16 years of communications experience within the financial sector, Dana Al Haddad, is responsible for Inovent's corporate communications, branding, PR, internal communications, and events. During her career Mrs. Al Haddad's scope of communications work has been focused on the financial, investment, and real estate sectors, but has also touched upon mortgage finance. Having been appointed Head of Human Resources and Administration in 2015, Mrs. Al Haddad also manages all HR matters across the Group, from strategic planning, administration, to the application and coordination of all HR policies and programs. Within the scope of administrative works, Mrs. Al Haddad also oversees the IT function within the company.

Mrs. Al Haddad graduated summa cum laude with a Master's Degree in Business Administration from Strathclyde University, Scotland, and with a BSC in Marketing and Economics from Concordia University, Canada

Yusuf Ebrahim Maraghi
Director – Finance

Mr. Yusuf Maraghi joined the INOVEST team in 2018, with over 17 years of experience in the field of finance and accounting. Across his career, Mr. Maraghi held responsibility for finance strategy, managing the corporate accounts, intercompany and interbank relations, as well as budget development and approval, and streamlining financial policies and procedures. Prior to joining the team, Mr. Maraghi was Head of Finance at Eazy Financial Services, and held positions in major academic institutions, and in AISalam Bank before that.

Mr. Maraghi graduated from the University of Bahrain with a BSC degree in Accounting and is currently working on being a Certified Islamic Public Accountant and on an IFRS Program.

Hamad Abdulla Zainalabedeen
Head of Internal Audit

Hamad Zainalabedeen joined Inovent BSC in 2009 as the Head of Internal Audit Department. Mr. Zainalabedeen has worked in a number of local and world renowned financial institutions and professional audit firms over the last 21 years with extensive auditing experience in Islamic Investment Banks, Investment Businesses, Manufacturing Enterprises, Governmental Organizations and other sectors.

Prior to joining Inovent, Mr. Zainalabedeen held leading positions in Internal Audit at Investment Dar Bank and Gulf Finance House. Hamad also worked with Ernst & Young and Arthur Andersen as an external auditor.

Mr. Zainalabedeen holds an Executive MBA and Bachelors of Science in Accounting from the University of Bahrain.

Ismaeel Omar Elnasri
Head of Legal
Resigned 3rd November 2020

Mr. Ismaeel Elnasri is a veteran legal counselor with more than 15 years of experience in the fields of Investment Banking, Islamic Banking, Retail Banking, Finance, Company Law, Labor Law, Real Estate and Construction.

During his career, Mr. Elnasri has handled and attained regional exposure in legal matters covering the GCC and MENA region. Since 2008, Mr. Elnasri has held a number of senior executive positions in Bahrain with various banking and financial Institutions such as Investors Bank, Alubaf Arab International Bank and Ithmaar Bank. In addition to his responsibilities as Head of Legal, Mr. Elnasri serves as a member in the Inovent Management Committee.

Mr. Elnasri holds a Bachelor degree (LLB) in law from Sudan and is a registered lawyer with the Ministry of Justice Sudan.

Mr. Elnasri is a qualified associate member at the Chartered Institute Of Arbitrators (CI Arb-UK).

16. Executive Management Shareholding

The executive & Senior Management do not hold any shares in the company.

17. Executive Management Remuneration

The Company Establishes management remuneration in line with approved internal policies, procedures and guidelines. The qualification of such remuneration set by the company's Board of Directors. The total salaries, allowances and remuneration paid to the senior Management was US\$1,079,029 in 2020.

18. Related Party Transactions

The details of related party transactions are shown under Note (26) of the Consolidated Financial Statements for the year ending 31 December 2020.

19. Compliance Control and Money Laundering Combating

Company recognizes its responsibility of compliance with all the related provisions by implementing global best practice. The Company has established a unit for regulatory control, to ensure adherence to the guidelines & rules of the Central Bank of Bahrain. This unit acts both to ensure observance of the principles of Islamic Sharia and regulatory rules, and the implementation of Compliance best practice.

The procedures for combating money laundering form a major part of compliance assignments. The Company maintains specific policies and procedures, approved by the Board of Directors, for money laundering prevention. These include a Client Due Diligence process, reporting of suspicious transactions, periodical staff awareness and training programs, & record-keeping, as well as the key policy of appointment of an officer dedicated to money laundering prevention. Money laundering prevention Policy & Procedures are reviewed annually by external auditors, who report their findings to the Central Bank of Bahrain. The Company is committed to combating money laundering, and to implementing all AML rules, principles and guidelines issued by the Central Bank of Bahrain.

Pursuant to HC Module of the CBB Rulebook (Volume 4 - HC Module) that refers to the principle of “Comply or Explain”, which provides that it is necessary for the Company to interpret non-compliance events with the recommendations prescribed in the Rulebook, the Company is pleased to inform the shareholders that the Company is in compliance with CBB rules and guidance.

20.External Auditor

The AGM held on 28 March 2019 approved reappointing M/S Ernst & Young to conduct the review and audit of the Company's consolidated financial statements for the year ended 31 December 2020. Total fees approved by the Board of Directors for the external auditors were US\$ 51,968.

21. Communications with the Investors

INOVEST communicate to investors through the adherence with both Bahrain Bourse and Kuwait Boursa rules and regulations with regard to disclosure of material information beside the press releases the Company issued. The Investor may communicate with the Company via visiting its official website to view the financial data and statements, and all the other information included in the website.

Sharia Supervisory Board Report

In the name of Allah, The Beneficent, The Merciful

Sharia Supervisory Board Report on the activities of INOVEST Company B.S.C For the Financial Year Ended on 31 December 2020

In The Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

To the Shareholders of INOVEST Company,
Acting as Sharia Supervisory Committee pursuant to the appointment resolution passed by the General Assembly of the Company, we are required to provide the following report:

The Sharia board of INOVEST Company has reviewed the Company principles, contracts or agreements related transactions, and applications submitted by the Company for the financial year ended on 31 December 2020, and upon comparing them with the fatwa and rulings issued during the financial year ended on 31 December 2020, we found them compatible with the above mentioned fatwa and rulings.

We 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 INOVEST Company has not violated Islamic Shari rules and principles.

The Sharia board believes that it has expressed its opinion in respect of the activities carried out by INOVEST Company, and the management is responsible for ensuring that the Company conducts its business in accordance with Islamic Shari. However, our responsibility is limited to form an independent opinion based on our review of the activities and operations conducted by INOVEST Company.

In our opinion:

The contracts, transactions and dealings entered into by the Company during the financial year ended on 31 December 2020 that we have reviewed are in compliance with the Islamic Shari rules and principles.

The calculation of Zakat is in compliance with Islamic Shari rules and principles.

The Sharia board has also discussed with the representative of the Company the financial statements for financial year ended on 31 December 2020, and the Sharia board is satisfied that these statements are in compliance with the Islamic Sharia.

This report has been prepared based on the information provided by the Company, The Sharia board is satisfied that the Company activities are in compliance with the Islamic Sharia.

Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

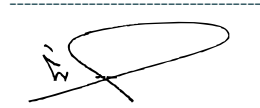
Shaikh Dr. Khalid Shuja'a Al-Otaibi
Chairman



Shaikh Dr. Murad Bou Daia
Member



Shaikh Dr. Dawoud Salaman Bin Essa
Executive Member





Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Inovert B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the related consolidated statements of income, cash flows, changes in owner's equity, and sources and uses of charity fund for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and the consolidated results of the operations, its cash flows and changes in owner's equity for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Group during the period under audit.

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section in our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material judgment of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

1. Adoption of FAS 30 - Impairment, credit losses and onerous commitments	
Refer to notes 3.1, 3.2, 4, 5 & 6	
Key audit matter / risk	How the key audit matter was addressed in the audit
<p>The Group's gross receivables as of 31 December 2020 amounts to US\$ 46.97 million and the related allowance for expected credit losses amounts to US\$ 23.91 million.</p> <p>As of 1 January 2020, the Group adopted FAS 30 - Impairment, credit losses and onerous commitments which replaces the 'incurred loss' model in FAS 11 with Expected Credit Loss (ECL) model under FAS 30. The Group applied the simplified approach to measuring Expected Credit Losses (ECL) on receivables as allowed by FAS 30. The determination of the ECL allowance for receivables involves estimates and assumptions in relation to loss rates based on past history of defaults, existing market conditions, segmentation of customers based on credit characteristics as well as forward looking estimates.</p> <p>Due to the significance of receivables and subjectivity involved in the determination of ECL, this is considered as a key audit matter.</p>	<p>Our audit procedures included, among others: Testing the accuracy of ageing of receivables.</p> <p>Assessing the appropriateness of segmentation of receivables of customers based on credit characteristics.</p> <p>Assessing the Group's ECL allowance process including reasonableness of the inputs used.</p> <p>Assessing the adequacy of the disclosures in relation to receivables and allowance for ECL</p>

2. Valuation of Investments	
Refer to notes 4, 7, 8 & 9	
Key audit matter / risk	How the key audit matter was addressed in the audit
<p>The Groups investments comprise of:</p> <ul style="list-style-type: none"> i) Equity-type instruments at fair value through equity ("FVTE"); ii) Investments in real estate; and iii) Investment in joint venture and associates <p>The above investments represent 77% of the Group's total assets. The valuation of investments involves complex accounting requirements, including assumptions, estimates and judgements underlying the determination of fair values.</p> <p>The Covid-19 pandemic is expected to impact the valuations of investments. The assumptions about the economic outlook are more uncertain which increases the level of judgement required by the Group in calculating the fair values, and the associated audit risk.</p>	<p>Our audit procedures included, among others, the following:</p> <p>Understanding the process of valuations of investments for the purpose of assessing changes in fair value of investments or impairment assessment.</p> <p>Obtaining independent external valuation reports and assessing the appropriateness of the valuation methods and assumptions taken by the valuers.</p> <p>Involved internal valuation specialists to evaluate the valuations performed for a sample of investments.</p> <p>We assessed the adequacy of the Group's disclosures in relation to these investments by reference to the requirements of the relevant accounting standards.</p>

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Board of Director's Report

Other information consists of the information included in the Chairman's statement and the Shari'a Supervisory Board report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement, of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Group's Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with AAOIFI and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Report on the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 4), we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
- c) except for what has been reported in note 1 to the consolidated financial statements, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, or the terms of the Company's memorandum and articles of association having occurred during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Auditor's Registration No: 45
18 February 2021
Manama, Kingdom of Bahrain

- Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in US\$000's)

	Note	2020	2019
ASSETS			
Cash and bank balances	5	23,399	37,315
Accounts receivable	6	23,072	18,672
Investments	7	12,593	13,052
Investment in a joint venture and associates	8	95,681	87,387
Investments in real estate	9	76,824	77,402
Property, plant and equipment	10	9,045	9,982
Other assets	11	818	521
TOTAL ASSETS		241,432	244,331
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	12	69,263	75,369
Financing from a bank	13	5,439	6,386
Total liabilities		74,702	81,755
Owners' Equity			
Share capital	14	120,334	114,604
Less: Treasury shares	14	(1,309)	(1,239)
		119,025	113,365
Reserves	15	6,071	4,073
Retained earnings		16,527	20,529
Equity attributable to Parent's shareholders		141,623	137,967
Non-controlling interest		25,107	24,609
Total owners' equity		166,730	162,576
TOTAL LIABILITIES AND OWNERS' EQUITY		241,432	244,331



Dr. Omar Salem Al Mutawa
Chairman



Yaser Hamad Al-Jar
Chief Executive Officer



Bashar Naser Al Tuwajri
Vice Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2020
(Expressed in US\$000's)

	Note	2020	2019
OPERATING INCOME			
Net income from construction contracts	17	3,066	4,196
Income from investment in real estate	18	4,860	8,327
(Loss) / income from investments	19	(1,948)	147
Fee from management and other services	20	1,411	3,411
Net share of loss from investment in a joint venture and associates	8	(599)	(462)
Other income	21	3,305	4,325
TOTAL OPERATING INCOME		10,095	19,944
OPERATING EXPENSES			
Staff costs	22	4,858	5,657
General and administrative expenses	23	2,710	4,204
Financing costs		157	469
Property related expenses		2,179	2,273
Depreciation	10	872	1,172
TOTAL OPERATING EXPENSES		10,776	13,775
NET OPERATING (LOSS) / PROFIT		(681)	6,169
Net reversal of expected credit losses	5 & 6	6,371	1,614
PROFIT FOR THE YEAR		5,690	7,783
Attributable to :			
Equity shareholders of the Parent		5,026	7,146
Non-controlling interest		664	637
BASIC AND DILUTED EARNINGS PER SHARE (US\$ cents)	24	1.69	2.40



Dr. Omar Salem Al Mutawa
Chairman



Yaser Hamad Al-Jar
Chief Executive Officer



Bashar Naser Al Tuwaijri
Vice Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2020
(Expressed in US\$000's)

	Equity attributable to Parent's shareholders						Non-controlling interest	Total owners' equity
	Reserves							
	Share capital	Treasury shares	Statutory reserve	Fair value through equity reserve	Retained earnings	Total equity		
At 1 January 2020	114,604	(1,239)	4,073	-	20,529	137,967	24,609	162,576
Impact of adopting FAS 30 (note 3.2)	-	-	-	-	(2,855)	(2,855)	(166)	(3,021)
Restated balance at 1 January 2020	114,604	(1,239)	4,073	-	17,674	135,112	24,443	159,555
Appropriation to charity funds	-	-	-	-	(10)	(10)	-	(10)
Bonus shares issued as dividend (note 25)	5,730	(70)	-	-	(5,660)	-	-	-
Profit for the year	-	-	-	-	5,026	5,026	664	5,690
Other comprehensive income for the year (15 b)	-	-	-	1,495	-	1,495	-	1,495
Transfer to statutory reserve	-	-	503	-	(503)	-	-	-
At 31 December 2020	120,334	(1,309)	4,576	1,495	16,527	141,623	25,107	166,730
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)
Purchase of non-controlling interest	-	-	-	-	-	-	(1,043)	(1,043)
Dividend paid	-	-	-	-	(5,660)	(5,660)	-	(5,660)
Capital redemption	-	-	-	-	-	-	(2,807)	(2,807)
Profit for the year	-	-	-	-	7,146	7,146	637	7,783
Transfer to statutory reserve	-	-	715	-	(715)	-	-	-
At 31 December 2019	114,604	(1,239)	4,073	-	20,529	137,967	24,609	162,576

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND
For the year ended 31 December 2020
(Expressed in US\$000's)

	2020	2019
Sources of charity funds		
Undistributed charity funds at the beginning of the year	14	-
Contributions made by the Company	10	50
Contributions for charitable purposes	-	(36)
Undistributed charity funds at 31 December	24	14

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Expressed in US\$000's)

	Note	2020	2019
OPERATING ACTIVITIES			
Net profit for the year		5,690	7,783
Adjustments for:			
Depreciation	10	1,022	1,266
Net reversal of expected credit losses	5 & 6	(6,371)	(1,614)
Net share of loss from investment in joint ventures and associates	8	599	462
Impairment loss on investment at fair value through equity	19	1,954	-
Loss / (gain) on sale of investment in real estate	18	157	(3,462)
		3,051	4,435
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		9,280	(15,253)
Accounts receivable		(908)	12,791
Other liabilities and accounts payable		(6,116)	(17,938)
Other assets		(297)	784
Net cash from / (used in) operating activities		5,010	(15,181)
INVESTING ACTIVITIES			
Proceeds from sale of investment		-	3,149
Purchase of non-controlling interest		-	(1,043)
Purchase of investment in a joint venture and associates	8	(9,265)	-
Additions in investment in real estate	9	(1,776)	(60)
Proceeds from sale of investment in real estate - net		2,197	6,906
Distributions received from a joint venture and associates	8	372	651
Purchase of property, plant and equipment	10	(85)	(103)
Net cash (used in) / from investing activities		(8,557)	9,501
FINANCING ACTIVITIES			
Net movement in financing from a bank	13	(947)	(2,841)
Dividend paid		-	(5,660)
Net cash used in financing activities		(947)	(8,501)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(4,494)	(14,181)
Cash and cash equivalents at the beginning of the year		22,062	36,243
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	17,568	22,062
Non cash transactions comprise:			
Changes in investment fair value reserve	15	1,495	-
Contributions by the Company towards charity funds		(10)	14
Impact of first time adoption of FAS 30		(3,021)	-
Net reversal of expected credit losses		142	-

The attached notes 1 to 32 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020
(Expressed in US\$000's)

1 CORPORATE INFORMATION 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 operates under an Investment Business Firm License – Category 1 (Islamic Principles) issued by the Central Bank of Bahrain ("CBB"), to operate under the Islamic Shari'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 centers and residential buildings, property leasing, development and their maintenance; and
- Having interest in or participating in any way with companies and other entities engaged in similar activities that may work and co-operate to achieve the Group'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.

Although the Company has an Investment Business Firm License – Category 1 (Islamic Principles) issued by the CBB in September 2008, it continues to hold real estate assets and related revenues and costs in its consolidated financial statements. These assets existed prior to obtaining the license from the CBB. The Company has transferred its entire real estate assets and the related revenues and costs to its fully owned subsidiary, Al Khaleej Development Co. W.L.L., which primarily carries out real estate and construction related activities. Since Al Khaleej Development Co. W.L.L. is fully owned by the Company, the real estate assets and revenues and costs continue to appear in the consolidated financial statements of the Group for the year ended 31 December 2020. The respective notes in these consolidated financial statements reflect the Group's transactions arising from holding of real estate assets and their corresponding liabilities and revenues and costs arising therefrom.

Impact of Covid-19

During the year ended 31 December 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. Although these developments have not adversely impacted the Group's operations as of 31 December 2020, the scale and duration of these developments remain uncertain at this stage and could potentially negatively impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

Total other income of US\$ 3,305 thousand includes government grant received towards salary of Bahraini employees from April to December 2020 of US\$ 653 thousand and electricity charges of US\$ 313 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

(Expressed in US\$000's)

1 CORPORATE INFORMATION AND ACTIVITIES (continued)

b) Activities (continued)

The number of staff employed by the Group as at 31 December 2020 was 394 employee (31 December 2019: 325 employee).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 18 February 2021.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The 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'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the CBB, Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6), CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the terms of the Company's memorandum and articles of association. 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 Accounting convention

The consolidated financial statements have been prepared on a historical cost basis, except for investment in a joint venture and associates which are equity accounted, equity-type instruments at fair value through equity and investment in real estate that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ("US Dollars") being the reporting currency of the Group. All values are rounded to the nearest US Dollar thousands unless otherwise indicated. However the functional currency of the Group is Bahraini Dinars (BD).

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses are eliminated in full on consolidation.

Subsidiary is fully consolidated from the date control is transferred to the Company and continues to be consolidated until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in a subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Sale of participations to non-controlling interests result in a gain or loss that is recognised in the consolidated statement of income. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

(Expressed in US\$000's)

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

The following are the principal subsidiaries of the Company, which are consolidated in these consolidated financial statements:

Name of the subsidiary	Ownership 2020	Ownership 2019	Country of incorporation	Year of incorporation	Activity
Held directly by the Company					
Al Khaleej Development Co. W.L.L.	100%	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. W.L.L.:					
Held indirectly by the Company					
Bahrain Investment Wharf B.S.C. (c)	100.00%	99.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial centers, residential buildings and property
Circo Total Facility Management Co. W.L.L. *	0%	99.00%	Kingdom of Bahrain	2005	Management and maintenance of properties
Tamcon Contracting Co. B.S.C. (c)	100.00%	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.
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 Labour Accommodation Co W.L.L.	60.21%	60.21%	Kingdom of Bahrain	2007	Buying, selling and management of properties.

* During the year, Circo Total Facility Management Co. W.L.L. was liquidated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

(Expressed in US\$000's)

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

** 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:

1. Providing financing to the Project including providing guarantees and required insurance as deemed appropriate;
2. Providing technical and administrative management for the Project;
3. Liable for payment of salaries and benefits including compensating them for anything relating to their rights;
4. Sub-contracting and coordinating with sub-contractors, including monitoring and taking corrective actions with respect to their progress relating to sub-contracted activities;
5. Completing all activities related to the Project with all relevant Government authorities and private sector;
6. Liable to pay for insurance, taxes and fines imposed by any party relating to the project;
7. Provide all required guarantees for the Project;
8. 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;
9. 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;
10. Obligated to provide the agreement to any parties financing the Project;
11. 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
12. 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 and is therefore consolidated as a 100% owned subsidiary.

2 BASIS OF PREPARATION (continued)

2.4 New standards, amendments and interpretations issued but not yet effective

Standards, interpretations and amendments to existing standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group reasonably expects these issued standards, interpretations and amendments to existing standards to be applicable at a future date. The Group intends to adopt these standards, interpretations and amendments to existing standards, if applicable, when they become effective:

- FAS 31 "Investment Agency (Al – Wakala Bi-Al – Istithmar)" (effective 1 January 2021)
This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2021, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.
- FAS 32 "Ijarah" (effective 1 January 2021)
This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.
- FAS 34 "Financial Reporting for Sukuk-holders" (effective 1 January 2021)
This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.
- FAS 35 "Risk reserves" (effective 1 January 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.
- FAS 37 "Financial Reporting by Waqf Institutions " (effective 1 January 2022)
The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.
- FAS 38 Wa'ad, Khiyar and Tahawwut (effective 1 January 2022)
The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

The Group's management are currently assessing the impact of the above standards, interpretations and amendments on the consolidated financial statements of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

a. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash in hand, bank balances and short term deposits with an original maturity of three months or less.

b. Accounts receivable

Accounts receivables are financial assets with fixed or determinable payment that are not quoted in active market. After initial measurement, such financial assets are subsequently measured at amortised cost, less impairment. The losses arising from impairment are recognised in the consolidated statement of income as provision for impairment for receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Investments

Investments comprise equity-type instruments at fair value through equity, investment in real estate and investment in a joint venture and associates.

Equity-type instruments at fair value through equity

This includes all equity-type instruments that are not fair valued through consolidated statement of income. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealized gains or losses recognised in owners' equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognised in consolidated statement of income.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment in real estate are re-measured at fair value and changes in fair value (only gains) are recognised through the consolidated statement of owner's equity.

Losses arising from changes in the fair values of investment in real estate are recognised in the consolidated statement of income. When the property is disposed of, the gains or losses arising on disposal is taken to the consolidated statement of income.

Investment in a joint venture and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, investment in a joint venture and associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the joint venture and associates. The consolidated statement of income reflects the Group's share of the results of operations of the joint venture and associates. Where there has been a change recognised directly in the equity of the joint venture and associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture and associates are eliminated to the extent of the interest in the joint venture and associates.

The reporting dates of the joint venture and associates and the Group are identical and the joint venture's and associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in joint venture and associates. The Group determines at each reporting date whether there is any objective evidence that investment in a joint venture or associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture and associates and its carrying value and recognises the impairment in the consolidated statement of income.

d. Fair values

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Fair values (continued)

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

e. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation on premises and equipment is provided on a straight-line basis over the following estimated useful lives:

Building on leasehold land	25 years
Machinery, equipment, furniture and fixtures	3-5 years
Computer hardware and software	3 years
Motor vehicles	3 years

f. Other liabilities and accounts payable

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

g. Financing from a bank

Financing from a bank is recognised initially at the proceeds received, net of transaction cost incurred. Subsequently, these are carried at amortised cost.

h. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from the equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in the equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

i. Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Derecognition of financial assets and financial liabilities (continued)

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

j. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and reliably measurable. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

k. Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment for financial assets.

l. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

m. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Income from properties

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

(ii) Fee from management and other services

Fee from management and other services and project management fees are recognised based on the stage of completion of the service at the consolidated statement of financial position date by reference to the contractual terms agreed between the parties.

(iii) Income from investments

Income from investments is recognised when earned.

(iv) Income from construction contracts

Contract income is recognised under the percentage of completion method.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of physical completion of the contract. Contract income and costs are recognised as income and expenses in the consolidated statement of income in the accounting year in which the work is performed. The contract income is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of income, expenses and profit which can be attributed to the proportion of work completed. Profits expected to be realised on construction contracts are based on estimates of total income and cost at completion.

When the outcome of a construction contract cannot be estimated reliably, the contract income is recognised to the extent of contract costs incurred up to the year end where it is probable those costs will be recoverable. Contract costs are recognised when incurred. The excess of progress billings over contract costs is classified under trade and other payables as due to customers for construction contracts.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Revenue recognition (continued)

(iv) Income from construction contracts (continued)

Losses on contracts are assessed on an individual contract basis and if estimates of cost to complete the construction contracts indicate losses, provision is made for the full losses anticipated in the period in which they are first identified.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or loss exceeds the progress billings, the balance is shown under trade and other receivables as due from customers for construction contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or loss, the balance is shown under trade and other payables as due to customers for construction contracts.

n. Shari'a Supervisory Board

The Group's business activities are subject to the supervision of a Shari'a Supervisory Board who are appointed by the general assembly.

o. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

p. Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing on the date of the transaction

Monetary assets and liabilities in foreign currencies are translated into United States Dollars at functional currency rates of exchange prevailing at the statement of financial position date. Any gains or losses are recognised in the consolidated statement of income.

q. Employees' end of service benefits

Bahraini employees are covered by the Social Insurance Organisation scheme which comprises a defined contribution scheme to which the Group contributes a monthly sum based on a fixed percentage of the salary. The contribution is recognised as an expense in the consolidated statement of income.

The Group provides end of service benefits to its non-Bahraini employees. Entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits which comprise a defined benefit scheme are accrued over the period of employment based on the notional amount payable if all employees had left at the statement of financial position date.

r. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

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 value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Impairment of financial assets (continued)

In the case of equity-type instruments at fair value through equity, impairment is reflected directly as write down of the financial asset. Impairment losses on equity-type instruments at fair value through equity are not reversed through the consolidated statement of income, while any subsequent increase in their fair value are recognised directly in owners' equity.

s. Events after the statement of financial position date

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed as of the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment to the consolidated financial statements.

t. Zakah

Individual shareholders are responsible for payment of Zakah.

u. Lease rent payables

The lease rent payables is carried at the actual cost of the lease payable to the MOICT, in accordance with Shari'a principles.

3.1 New standards, interpretations and amendments

These consolidated financial statements have adopted the following FASs as explained below.

FAS 30 - Impairment, Credit Losses and Onerous Commitments

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". As permitted by FAS 30, the standard will be applied prospectively and the comparative amounts will not be restated. FAS 30 replaces the 'incurred loss' model in FAS 11 with Expected Credit Loss (ECL) model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity investments.

FAS 30 was introduced in order to overcome the delay in recognition of impairment and thus moves from an incurred loss model to an expected loss model. This model accounts for increasing credit risk to assess and compute loss allowances. The amount of expected credit loss (ECL) recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

Under the general approach, there are two measurement basis:

- 12-month ECLs (Stage 1), which applies to all exposures (from initial recognition) as long as there is no significant deterioration in credit quality; and
- Lifetime ECLs (Stage 2 and Stage 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

12-month ECLs will be calculated for all Stage 1 exposures and lifetime ECLs will be calculated for all Stage 2 and Stage 3 exposures.

An alternative to this approach is the simplified approach, which is required for receivables that do not contain a significant financing component. For trade and other receivables, it is an accounting policy choice to follow the simplified approach. Under the simplified approach, loss is calculated on lifetime ECLs rather than the two-stage process under the general approach. Tracking of credit risk is not required; instead the approach requires a loss allowance based on lifetime ECL at each reporting date, right from origination.

The Group portfolio is made up of the following asset classes:

- Bank balances and placements; and
- Trade and other Receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretations and amendments (continued)

FAS 30 - Impairment, Credit Losses and Onerous Commitments (continued)

The general approach to ECL calculation applies to the bank balances and placements portfolio. The simplified approach to ECL calculation applies to the trade and other receivables portfolio.

To reflect the differences between FAS 30 and FAS 11, the Group has disclosed the transition in Note 3.2 of these consolidated financial statements.

FAS 33 Investment in sukuk, shares and similar instruments

This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Sharia's compliant investments and the primary accounting treatments commensurate to the characteristic and business model of institution under which the investments are made, managed and held.

This standard supersedes FAS 25 "Investment in Sukuk" and shall be effective beginning or after 1 January 2021 with early adoption permitted.

For the purpose of this standard, each investment is to be categorized as one of the below investment categories depending on its nature:

- Monetary Debt-type instrument;
- Non-monetary Debt-type instrument;
- Equity-type instrument; and
- Other investment instruments.

Classification

Unless the irrevocable initial recognition choices provided below are exercised, the Group shall classify investments subject to this standard as subsequently measured at either (i) amortised cost, (ii) fair value through equity or (iii) fair value through statement of income, on the basis of both the Group's business model for managing investments and the expected cash flow characteristics of the investment.

Investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

Investment in a non-monetary debt-type instrument or other investment instrument, may be classified under any of the three categories depending on the Group's business model.

Investment in equity-type instrument is classified as investment at fair value through statement of income unless the Group makes an irrevocable classification choice at initial recognition to classify this as investment at fair value through equity.

An investment held for trading purposes shall always fall in fair value through statement of income classification.

Recognition and Initial measurement

All investment shall be initially recognised at their value plus transaction costs except for investments at fair value through statement of income. Transaction costs relating to investments at fair value through statement of income are charged to the statement of income when incurred. A regular way purchase of investments shall be recognised upon the transfer of control to investor.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretations and amendments (continued)

Subsequent measurement

Investments at amortised cost

Investments carried at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognised in the consolidated statement of income. Investment carried at amortised cost shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Investments at fair value through statement of income

Investment carried at fair value through statement of income shall be re-measured at fair value at end of each reporting period. The resultant remeasurement gain or loss, if any being the difference between the carrying amount and the fair value shall be recognised in the statement of income.

Investments at fair value through equity

Investment carried at fair value through equity shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognised in equity under "investments fair value reserve". Investment carried at fair value through equity shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Reclassification

When, and only when, the Group changes its business model for managing investments, it shall reclassify all affected financial assets prospectively from the reclassification date. In case of reclassification, the Group shall not restate any previously recognised gains, losses (including impairment gains or losses) or returns/ profits.

The Board of Directors decided to early adopt the standard with effect from the current year.

The adoption of the above standard did not have a material impact on these consolidated financial statements as investments previously classified as fair value through equity continue to be classified as fair value through equity.

3.2 Transition disclosure

Changes in accounting policies resulting from the adoption of FAS 30 have been applied retrospectively, except comparative periods which have not been restated. Below are the differences in the carrying amounts of financial assets that have resulted from the adoption of FAS 30 which require adjustment in retained earnings and financial assets as at 1 January 2020.

Impact of adopting FAS 30

Following is the impact of early adoption of FAS 30:

	31 December 2019 balance	Transition adjustment	1 January 2020 balance
Cash and bank balances	37,315	(475)	36,840
Accounts receivable	18,672	(2,546)	16,126
	55,987	(3,021)	52,966

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of investments

Management decides on acquisition of an investment, whether it should be classified as equity-type instrument at fair value through the consolidated statement of income, equity-type instruments at fair value through equity or debt-type instrument at amortised cost.

Estimates and assumptions

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, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management 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 consolidated financial statements continue to be prepared on the going concern basis.

Fair valuation of investments

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of consolidated financial statements.

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

Impairment of investments at fair value through equity

The Group treats investments carried at fair value through equity as impaired when there is a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group evaluates factors, such as the historical share price volatility for comparable quoted equities and future cash flows and the discount factors for comparable unquoted equities.

Special purpose entities

The Group sponsors the formation of special purpose entities ("SPE") primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPEs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgments are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

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4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment and uncollectibility of financial assets

The Group uses a provision matrix to calculate expected credit losses ("ECL") for its receivables, estimated based on historical credit loss experience based on the past due status of the customer, adjusted as appropriate to reflect current conditions and future economic conditions.

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if the forecast macro-economic variables are expected to deteriorate over the forecast period, the historical loss rates will be adjusted upwards to reflect the expected economic conditions. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking information are analysed.

The incorporation of forward-looking information increases the level of judgement as to how changes in macro-economic variables will affect the ECL. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

Liquidity

The Group manages its liquidity through consideration of the maturity profile of its assets and liabilities which is set out in the liquidity risk disclosures in these consolidated financial statements. This requires judgement when determining the maturity of assets and liabilities with no specific maturities.

5 CASH AND BANK BALANCES

	2020	2019
Short-term deposits (with an original maturity of 90 days or less)	9,628	9,297
Current account balances with banks	7,929	12,751
Cash in hand	11	14
Total cash and cash equivalents	17,568	22,062
Short-term deposits (with an original maturity of more than 90 days)	5,973	15,253
Less: Provisions for expected credit loss	(142)	-
Total cash and bank balances	23,399	37,315

Movements in the provision for expected credit loss:

	2020	2019
At 1 January	475	-
Reversals during the year	(333)	-
	142	-

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6 ACCOUNTS RECEIVABLE

	2020	2019
Amounts due from related parties (note 26)	12,797	14,604
Trade receivables	13,809	8,850
Other receivables	18,391	20,916
Rent receivable	1,980	1,699
	46,977	46,069
Less: provision for expected credit losses	(23,905)	(27,397)
	23,072	18,672

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

The movement in the Group's provision for expected credit losses is as follows:

	2020	2019
At 1 January	27,397	29,011
Write back during the year	(6,038)	(1,614)
Impact of adoption of FAS 30	2,546	-
At 31 December	23,905	27,397

7 INVESTMENTS

	2020	2019
Equity-type instruments at fair value through equity - Unquoted		
Equity investment in real estate	12,593	13,052

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 carried at fair value through equity as disclosed in note 3c of the consolidated financial statements.

8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

	2020	2019
At 1 January	87,387	88,500
Acquisitions during the year	9,265	-
Distributions during the year	(372)	(651)
Gain on bargain purchase*	9,574	-
Net share of loss	(10,173)	(462)
At 31 December	95,681	87,387

*During the year ended 31 December 2019, a proceeding issued by GCC arbitration centre was ruled in favor of one of the investors in a project company managed by the Group. 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. However, on 12 January 2020, the Group and the Investor entered into an amicable settlement and signed an agreement wherein, the Group returned US\$ 6,631 thousand cash to the investor, and acquired shares worth US\$ 16,205 thousand in the project company, thus booking a gain of US\$ 9,574 thousand during the year.

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8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

The Group has an investment in the following joint venture:

Name	Principal activities	Ownership			Carrying value	
		2020	2019	Country of incorporation	2020	2019
First Gulf Real Estate Company WLL (Investment acquired as a result of consolidation of Dannat Resort Development Company Ltd)	Purchase of land and construct buildings thereon for investments through sale or lease, manage and maintain real estates	55.56%	55.56%	Kingdom of Saudi Arabia	40,259	40,304
Advance Project Group Holding W.L.L.	Manufacturing company for producing wood-plastic composites	45.00%	0.00%	State of Kuwait	2,634	-

Summarised financial information of joint venture

Summarised financial information of the joint venture based on the management accounts, is presented below:

	2020	2019
Total assets	63,504	57,651
Total liabilities	797	719
Total net loss	(81)	(133)

The joint venture had no contingent liabilities or capital commitments as at 31 December 2020 and 2019.

The principal associates of the Group are:

Name of associate	Principal activities	Ownership		Country of incorporation	Carrying value	
		2020	2019		2020	2019
Durrat Marina Investment Company Ltd.	Development and sale of commercial and residential properties	46.49%	32.76%	Cayman Islands	45,165	38,678
Takhzeen Warehousing and Storage Company B.S.C. (c)	Management and maintenance of warehouses	37.24%	37.24%	Kingdom of Bahrain	4,579	4,762
Boyot Al Mohandseen Contracting Company	Development of real estate in Dhahran, Kingdom of Saudi Arabia	23.17%	23.17%	Kingdom of Saudi Arabia	3,042	3,643
					52,786	47,083

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8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

Summarised financial information of associates, based on the management accounts, are presented below:

	2020	2019
Summarised financial information of associates		
Total assets	132,405	156,146
Total liabilities	9,312	9,141
Total net loss	(20,339)	(1,282)

The associates had no contingent liabilities or capital commitments as at 31 December 2020 and 2019.

9 INVESTMENTS IN REAL ESTATE

	2020	2019
At 1 January	77,402	80,786
Additions during the year	1,776	60
Disposals during the year	(2,354)	(3,444)
At 31 December	76,824	77,402

Investments in real estate are stated at fair value which has been determined based on valuations performed by accredited independent property valuers. The valuations undertaken were based on open market values, which represent the prices at which the properties could be exchanged between knowledgeable willing buyers and knowledgeable willing sellers in an arm's length transaction.

Investments in real estate based on valuations performed by external property valuers amounted to US\$ 103.45 million (31 December 2019: US\$ 94.62 million). However, due to illiquid nature of the real estate market and slowdown within the economic environment, the management believes the current carrying value of investments in real estate amounting to US\$ 76.8 million (31 December 2019: US\$ 77.4 million) approximates its fair value.

Investments in real estate stated at a carrying amount of US\$ 18.70 million (31 December 2019: US\$ 18.70 million) are secured as collateral against the financing facilities obtained (note 13).

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land	Machinery, equipment furniture and fixtures	Computer hardware and software	Motor vehicles	Total
Cost					
At 1 January 2020	10,122	10,581	1,587	2,242	24,532
Additions	-	19	66	-	85
Disposals	-	(130)	(68)	(39)	(237)
At 31 December 2020	10,122	10,470	1,585	2,203	24,380
Accumulated depreciation					
At 1 January 2020	2,324	8,963	1,437	1,826	14,550
Charge	406	424	94	98	1,022
Disposals	-	(130)	(68)	(39)	(237)
At 31 December 2020	2,730	9,257	1,463	1,885	15,335
Net book amount:					
At 31 December 2020	7,392	1,213	122	318	9,045
At 31 December 2019	7,798	1,618	150	416	9,982

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2020	2019
Depreciation charged to contract costs (note 17)	150	94
Depreciation charged to expenses	872	1,172
	1,022	1,266

11 OTHER ASSETS

	2020	2019
Advances to contractors	450	212
Prepayments	368	309
	818	521

12 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	2020	2019
Lease rent payables (note 12.1)	50,105	50,105
Accruals and other payables	6,737	8,594
Case compensation and other contingencies (note 12.2)	7,672	8,497
Advances from construction clients	455	83
Amounts due to related parties (note 12.3 and 26)	126	4,754
Retentions payable	1,839	2,808
Trade payables	2,329	528
	69,263	75,369

Note 12.1

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

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

Note 12.2

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.

Note 12.3

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

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13 FINANCING FROM A BANK

	2020	2019
Commodity murabaha financing	5,439	6,386

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.

14 SHARE CAPITAL

	2020	2019
Authorised		
375,000,000 (31 December 2019: 375,000,000) ordinary shares of US\$ 0.40 each	150,000	150,000
Issued and fully paid-up		
Opening balance		
300,836,787 (31 December 2019: 286,511,225) ordinary shares of US\$ 0.40 each	120,334	114,604
Treasury shares		
Less: 3,675,000 (31 December 2019: 3,500,000) treasury shares	(1,309)	(1,239)
Closing balance		
297,161,787 (31 December 2019: 283,011,225) ordinary shares	119,025	113,365

Additional information on shareholding pattern

Names and nationalities of the major shareholders and the number of shares they hold, without considering the treasury shares, are disclosed below (where their shareholding amounts to more than 5% or more of outstanding shares):

At 31 December 2020

Name	Incorporation	Number of shares	% holding
Gulf Investment House	Kuwait	42,930,670	14.27%
Mechanism General Trading Company	Kuwait	26,197,500	8.71%
Dubai Islamic Bank	United Arab Emirates	20,736,327	6.89%
Others	Various	210,972,290	70.13%
		300,836,787	100%

At 31 December 2020

Name	Incorporation	Number of shares	% holding
Gulf Investment House	Kuwait	38,981,591	13.61%
Mechanism General Trading Company	Kuwait	24,950,000	8.71%
Dubai Islamic Bank	United Arab Emirates	19,748,883	6.89%
Others	Various	202,830,751	70.79%
		286,511,225	100%

The Company has only one class of equity shares and the holders of these shares have equal voting rights. Further, all the shares issued are fully paid.

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14 SHARE CAPITAL (continued)

Additional information on shareholding pattern (continued)

Distribution schedule of shares, setting out the number and percentage of holders is disclosed below:

At 31 December 2020

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	75,651,956	652	25.15%
1% up to less than 5%	135,320,334	16	44.89%
5% up to less than 10%	46,933,827	2	15.60%
10% up to less than 50%	42,930,670	1	14.27%
	300,836,787	671	100%

At 31 December 2019

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	75,348,898	688	26.30%
1% up to less than 5%	127,481,853	16	44.49%
5% up to less than 10%	44,698,883	2	15.60%
10% up to less than 50%	38,981,591	1	13.61%
	286,511,225	707	100%

15 RESERVES

a. Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the net profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of paid up share capital. The reserve is not available for distribution, except in circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain. Transfer to the statutory reserve of US\$ 503 thousand has been made for the year ended 31 December 2020 (31 December 2019: US\$ 715 thousand).

b. Fair value through equity reserve

Unrealised gains and losses resulting from investments carried at fair value through equity, if not determined to be impaired is recorded in the fair value through equity reserve and is not available for distribution. Upon disposal of related assets, the related cumulative gains or losses are transferred to retained earnings and become available for distribution. Included in fair value through equity reserve is an unrealised gain on investments for the year ended 31 December 2020 amounting to US\$ 1,495 thousand (31 December 2019: Nil).

16 TREASURY SHARES

Treasury shares represent 3,675,000 (31 December 2019: 3,500,000) shares amounting to US\$ 1,308,680 (31 December 2019: US\$ 1,238,680) representing 1.22% (31 December 2019: 1.22%) of the issued share capital, held by the Group.

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17 NET INCOME FROM CONSTRUCTION CONTRACTS

	2020	2019
Contract income	4,595	4,783
Contract costs	(1,529)	(587)
	3,066	4,196

The contract costs include depreciation amounting to US\$ 150 thousand (31 December 2019: US\$ 94 thousand).

18 INCOME FROM INVESTMENT IN REAL ESTATE

	2020	2019
Rental income	5,017	4,865
Realised (losses) / gains on sale of investment in real estate	(157)	3,462
	4,860	8,327

19 INCOME FROM INVESTMENTS

	2020	2019
Impairment loss on investment at fair value through equity	(1,954)	-
Realised gain on sale of an investment	-	147
Realized gain on sale / liquidation of a subsidiary	6	-
	(1,948)	147

20 FEE FOR MANAGEMENT AND OTHER SERVICES

	2020	2019
Property and facility management income	1,269	3,346
Financial advisory service charges	63	65
Other management services	79	-
	1,411	3,411

21 OTHER INCOME

	2020	2019
Electricity and water services	523	1,431
Profit on short-term deposits	573	831
Others	2,209	1,498
Reversal of accrued expense	-	565
	3,305	4,325

*Other income includes government grant received towards salary of Bahraini employees from April to December 2020 of US\$ 653 thousand and electricity charges of US\$ 313 thousand (note 1).

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22 STAFF COSTS

	2020	2019
Salaries and benefits	4,539	4,656
Other staff expenses	319	1,001
	4,858	5,657

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Legal and professional fees	791	1,270
Rent, rates and taxes	648	734
Board member expenses	208	773
Advertising and marketing	111	91
Regulatory fees	187	299
IT related expenses	143	176
Travelling and transportation	22	35
Labour accommodation expenses	32	29
Directors professional liability insurance	58	53
Foreign exchange loss	8	9
Other expenses	502	735
	2,710	4,204

24 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Income attributable to the equity shareholders of the parent for the year	5,026	7,146
Weighted average number of shares outstanding at the beginning and end of the year	297,162	297,162
Earnings per share - US\$ cents	1.69	2.40

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

25 BONUS SHARES

Following the shareholders' approval at the Annual General Meeting held on 22 March 2020, bonus shares of one share for every 20 shares, with a nominal value of 40 cents, totalling US\$ 5,730 thousand were issued for the year ended 31 December 2019.

26 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, key management personnel, 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.

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26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Terms and conditions of transactions with related parties

The Group enters into transactions, arrangements and agreements with its related parties in the ordinary course of business at terms and conditions approved by the Board of Directors. The transactions and balances arose from the ordinary course of business of the Group. Outstanding balances at the year end are unsecured.

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

	31 December 2020				31 December 2019			
	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total
Accounts receivable - gross	9,815	-	2,982	12,797	9,635	-	4,969	14,604
Provision	(2,997)	-	(2,409)	(5,406)	(8,764)	-	(2,408)	(11,172)
Accounts receivable - net	6,818	-	573	7,391	871	-	2,561	3,432
Other liabilities and accounts payable	19	1	106	126	4,529	-	225	4,754

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

	31 December 2020				31 December 2019			
	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total
Income								
Fee from management and other services	181	-	-	181	32	-	48	80
Net share of loss from investment in a joint venture and associates	(599)	-	-	(599)	(462)	-	-	(462)
	(418)	-	-	(418)	(430)	-	48	(382)
Expenses								
Staff costs	-	1,691	-	1,691	-	1,915	-	1,915
General and administrative expenses	17	338	53	408	7	864	73	944
	17	2,029	53	2,099	7	2,779	73	2,859

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26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2020	2019
Salaries and other benefits	1,691	1,915

27 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 consolidated financial statements as set out in note 3 to the consolidated financial statements. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment information is disclosed as follows:

	31 December 2020					
	Investment and related services	Construction Contracts	Development and sale of industrial plots	Property and facility management services	Eliminations	Total
Net revenues from external customers	740	3,066	5,885	-	(354)	9,337
Inter-segment transactions	151	-	314	-	(465)	-
Income from investments	(1,948)	-	-	-	-	(1,948)
Net share of loss from investment in a joint venture and associates (note 8)	(561)	-	-	-	(38)	(599)
Other income	1,368	914	1,121	-	(98)	3,305
Total (loss) / revenue	(250)	3,980	7,320	-	(955)	10,095
Segment profit	1,260	255	4,141	-	34	5,690
Segment assets	390,715	39,158	118,662	-	(307,103)	241,432
Segment liabilities	145,035	7,094	52,012	-	(129,439)	74,702

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27 SEGMENTAL INFORMATION (continued)

	31 December 2019					
	Investment and related services	Construction Contracts	Development and sale of industrial plots	Property and facility management services	Eliminations	Total
Net revenues from external customers	516	4,196	11,173	49	-	15,934
Inter-segment transactions	201	-	387	127	(715)	-
Income from investments	147	-	-	-	-	147
Net share of loss from investment in a joint venture and associates (note 8)	(462)	-	-	-	-	(462)
Other income	1,390	615	2,318	2	-	4,325
Total revenue	1,792	4,811	13,878	178	(715)	19,944
Segment (loss) / profit	(4,152)	40	11,777	57	61	7,783
Segment assets	300,693	46,939	115,524	313	(219,249)	244,220
Segment liabilities	48,871	7,883	51,661	46	(26,817)	81,644

28 CONTINGENCIES AND COMMITMENTS

Credit-related commitments include commitments to extend guarantees and acceptances which are designed to meet the requirements of the Group's customers. Guarantees and acceptances commit the Group to make payments to third parties on behalf of customers in certain circumstances.

The Group has the following credit related commitments:

	2020	2019
Guarantees	2,294	20,765

The Group has the following operating lease commitments:

	2020	2019
Future minimum lease payments:		
Within one year	545	160
After one year but not more than five years	1,826	-
Total	2,371	160

29 FIDUCIARY ASSETS

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the consolidated statement of financial position. At 31 December 2020, the carrying value of such assets is US\$ 99.09 million (31 December 2019: US\$ 128 million).

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(Expressed in US\$000's)

30 RISK MANAGEMENT

Risk is defined as the combination of severity and frequency of potential loss over a given time horizon and is inherent in the Group's activities. Risk can be expressed in the dimensions of potential severity of loss (magnitude of impact) and potential loss frequency (likelihood of occurrence). Risk management is the process by which the Group identifies key risks, sets consistent understandable risk measures, chooses which risks to reduce, which to increase and by what means, and establishes procedures to monitor the resulting risk position. Risk management is the discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure that optimum value is created for the shareholders through an optimum return on equity by an appropriate trade-off between risk and return.

Effective risk management is the cornerstone of capital structure. The vision of risk management is to address all aspects of risk which the Group may be exposed to. The Group's risk function is independent of lines of business and the Head of Risk and Compliance is appointed by the Board Risk Committee, who then report to the Board of Directors. The key role of the risk management function is defining, identifying and reducing risks, and being independent and objective.

The Group has exposure to risks, which include credit, market, liquidity, reputation, compliance and operational risks. Market risk includes currency, equity price and profit rate risk. Taking risk is core to the financial business. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

Risk governance

The Board of Directors of the Group has overall responsibility for the oversight of the risk management framework and reviewing its risk management policies and procedures. The risks both at portfolio and transactional levels are managed and controlled through the Board Risk Committee.

a) Credit risk

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to maximize the Group's risk-adjusted rate of return by maintaining credit exposures within acceptable parameters. The Group has well-defined policies and procedures for identifying, measuring, monitoring and controlling credit risk in all the Group's activities.

i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's maximum exposure to on-balance sheet credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure, is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract.

The table shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements, but after impairment provisions, where applicable.

	Gross maximum exposure 2020	Gross maximum exposure 2019
Accounts receivable	23,072	18,672
Commitments and contingent liabilities	2,294	20,765
Total	25,366	39,437

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30 RISK MANAGEMENT (continued)

a) Credit risk (continued)

ii) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

The Group's exposure analysed on geographic regions and industry sectors is as follows:

	31 December 2020			31 December 2019		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
Geographic region:						
Kingdom of Bahrain	182,063	74,702	2,294	185,160	81,755	20,765
Other GCC countries	59,369	-	-	59,171	-	-
	241,432	74,702	2,294	244,331	81,755	20,765

	31 December 2020			31 December 2019		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
Industry sector:						
Real estate	186,423	62,724	2,294	179,024	67,752	20,765
Non real estate	55,009	11,978	-	65,307	14,003	-
	241,432	74,702	2,294	244,331	81,755	20,765

b) Market risk

Market risk arises from fluctuations in profit rates, foreign exchange rates and equity prices. Market risk is the risk that changes in market risk factors, such as currency risk, profit rates and equity prices will effect the Group's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Profit rate risk

Profit risk is the risk that the Group's profitability or fair value of its financial instruments will be adversely affected by the changes in profit rates. The Group's assets and liabilities are not considered by management to be sensitive to profit rate risk.

ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views the Bahraini Dinars as its functional currency and United States Dollar as its reporting currency. As at 31 December 2020 and 2019, the Group had net foreign currency exposure in respect of Bahraini Dinars, Saudi Riyals, Kuwaiti Dinars and United Arab Emirates Dirhams. Except for Kuwaiti Dinars, the currencies are pegged to the United States Dollar and thus are considered not to represent significant currency risk. The Group's net exposure to Kuwaiti Dinars is considered minimal.

iii) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. As the Group has no quoted equity investments, the Group is not exposed to this risk. The Group has unquoted investments carried at cost less provision for impairment where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted, or when a third party transaction in the investment gives a reliable indication of fair value which will be reflected in owners' equity.

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30 RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the potential inability of the Group to meet cash flows of its maturing obligations to a counterparty. Liquidity risk management seeks to ensure that the Group has the ability, under varying scenarios, to fund increases in assets and meet maturing obligations as they arise. Management of the Group is responsible for its liquidity management.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2020 based on expected periods to cash conversion from the consolidated statement of financial position date:

	Up to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	No fixed maturity	Total
ASSETS									
Cash and bank balances	18,262	5,137	-	-	-	-	-	-	23,399
Accounts receivable	2,651	11,078	138	2,389	6,816	-	-	-	23,072
Investments	-	-	-	-	12,593	-	-	-	12,593
Investment in a joint venture and associates	-	-	-	-	95,681	-	-	-	95,681
Investments in real estate	-	-	-	-	47,650	29,174	-	-	76,824
Property, plant and equipment	-	-	-	-	-	-	-	9,045	9,045
Other assets	37	283	110	274	114	-	-	-	818
Total assets	20,950	16,498	248	2,663	162,854	29,174	-	9,045	241,432
LIABILITIES									
Other liabilities and accounts payable	4,767	1,609	412	483	11,341	-	50,105	546	69,263
Financing from a bank	1,082	-	1,035	2,118	1,204	-	-	-	5,439
Total liabilities	5,849	1,609	1,447	2,601	12,545	-	50,105	546	74,702
Net liquidity gap	15,101	14,889	(1,199)	62	150,309	29,174	(50,105)	8,499	166,730
Cumulative liquidity gap	15,101	29,990	28,791	28,853	179,162	208,336	158,231	166,730	
Contingencies and commitments	-	-	-	-	2,294	-	-	-	2,294

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30 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2019 based on expected periods to cash conversion from the consolidated statement of financial position date:

	Up to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	No fixed maturity	Total
ASSETS									
Cash and bank balances	30,628	6,644	-	43	-	-	-	-	37,315
Accounts receivable	1,442	3,859	7,179	3,205	2,987	-	-	-	18,672
Investments	-	-	-	-	13,052	-	-	-	13,052
Investment in a joint venture and associates	-	-	-	-	87,387	-	-	-	87,387
Investments in real estate	-	-	-	-	50,004	27,398	-	-	77,402
Property, plant and equipment	-	-	-	-	-	-	-	9,982	9,982
Other assets	71	278	63	109	-	-	-	-	521
Total assets	32,141	10,781	7,242	3,357	153,430	27,398	-	9,982	244,331
LIABILITIES									
Other liabilities and accounts payable	5,029	177	2,776	535	16,747	3,316	46,789	-	75,369
Financing from a bank	1,122	1,020	1,036	2,122	1,086	-	-	-	6,386
Total liabilities	6,151	1,197	3,812	2,657	17,833	3,316	46,789	-	81,755
Net liquidity gap	25,990	9,584	3,430	700	135,597	24,082	(46,789)	9,982	162,576
Cumulative liquidity gap	25,990	35,574	39,004	39,704	175,301	199,383	152,594	162,576	
Contingencies and commitments	-	-	-	-	20,765	-	-	-	20,765

30 RISK MANAGEMENT (continued)

d) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

e) Other risks

Regulatory risk

Regulatory risk is defined as the risk of non-compliance with regulatory and legal requirements in the Kingdom of Bahrain and the State of Kuwait. The Group's Compliance Department is currently responsible for ensuring all regulations are adhered to.

Legal risk

Legal risk is defined as the risk of unexpected losses from transactions and contracts not being enforceable under applicable laws or from unsound documentation. The Group deals with several external law firms to support it in managing the legal risk.

Reputation risk

Reputation risk is defined as the risk that negative perception regarding the Group's business practices or internal controls, whether true or not, will cause a decline in the Group's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Group. The Board of Directors examines the issues that are considered to have reputation repercussions for the Group and issues directives to address these.

31 SOCIAL RESPONSIBILITY

The Group intends to discharge its social responsibilities through donations to charitable causes and organisations.

32 COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current period presentation. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.