

• **INOVEST.**

Annual Report
2019



Inovent 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.inovent.bh

Bankers

Bahrain Islamic Bank B.S.C.
Ithmaar Bank B.S.C.
Kuwait Finance House (Bahrain) B.S.C. (c)
Kuwait Finance House (Kuwait) K.S.C.P.
Boubyan Bank (Kuwait)
Khaleeji Commercial Bank B.S.C.
Al Baraka Islamic Bank B.S.C. (c)
Al Salam Bank, Bahrain B.S.C.

Auditors

Ernst & Young (EY)
P.O. Box 140
10th Floor, 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 Royal Highness Prince
Khalifa bin Salman Al Khalifa
The Prime Minister of the
Kingdom of Bahrain



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 First
Deputy Prime Minister of the
Kingdom of Bahrain

Contents

Board of Directors	6
Shariah Supervisory Committee	7
Board of Directors' Report	8
Corporate Social Responsibility	10
Corporate Governance Report	11
Shariah Supervisory Committee Report	20
Independent Auditors' Report	21
Consolidated Financial Statements	22

Board of Directors



**Dr. Omar Salem
Al Mutawa**
Chairman



**Mr. Bashar Naser
Al Tuwajri**
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 Neseif**
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



Dr. Omar Al Mutawa

Board Chairman

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 2019.

Overall Performance

Despite the rapidly changing economic landscape within the region, and the challenges faced by financial and investment institutions alike, INOVEST still managed to make 2019 its fourth

profitable year in a row. By year end 2019, INOVEST reported a consolidated net profit attributable to parent shareholders of US\$7.15 million. Accordingly, the INOVEST Board of Directors recommended, in its last session held on February 16th, 2020, to the Annual General Assembly a stock dividend distribution of 5% of paid up capital subject to the approval of Central Bank of Bahrain and the Ministry of Industry and Commerce and Tourism. In line with the emphasis placed within our corporate strategy on growth and sustainability, every effort has been taken to overcome industry challenges, and to further develop and diversify the company's portfolio through investing in target sectors with clear value additions to INOVEST and its shareholders. As such, within 2019, INOVEST sought out and assessed numerous opportunities within its pipeline, resulting in the acquisition of a substantial stake in a leading composite industrial manufacturing company. On an operational and administrative level significant effort has been placed on strengthening our Group wide network towards overcoming challenges, as well as creating greater efficacy through establishing professional standards for Group-wide progress and development. We have no doubt that the benefits of this will manifest in the coming years.

INOVEST's performance is squarely where we expect it to be and is in line with our approved plans and strategies for 2019. INOVEST has managed, with the grace of God, to effectively implement the first year of our strategy and to further maintain positive financial indicators across the board; Return on Equity stands at 5%, Return on Assets at 3%, and in terms of liquidity, cash and bank balances represent a healthy 15% of the total consolidated assets. INOVEST's financial results for the year ended December 31st, 2019, show a consolidated net profit attributable to parent shareholders of US\$7.15 million, representing a 49% decline as compared to US\$14.01 million for last year. The Group also reported that Basic and Diluted Earnings Per Share of the parent company as at December 31st 2019 amounted to US cents 2.52 as compared to US cents 4.95 in 2018. The decline remains primarily due to an expected decrease in revenue from the contracting activities, from completion of a major government project, and the capital gain from disposal of an investments that took place in the same period of last year. Looking at the Group's fiscal indicators, the Equity Attributable to Parent Shareholders, increased by 1% to stand at US\$138 million at the end of the of December 31st, 2019 in comparison to US\$137 million at 2018 year-end. Within the same period, INOVEST reported consolidated total assets of US\$244 million, representing a decrease of 9% in comparison to US\$267 million as of 2018 year-end.

Future Outlook

The Group's solid performance during 2019 is a notable achievement. It validates our Board approved strategic plans, and our belief in INOVEST's capabilities, which collectively ensured we overcame certain legal, operational, and financing hurdles and further enhanced the performance of existing investments towards achieving stronger returns. The resulting stance is that financial targets were met, and strategic milestones were reached.


The team continues to diligently develop existing assets and consider new opportunities that encourage consistent long-term growth. Ultimately, we are guided, as Board of Directors and executive management by the overarching mandate to ensure that INOVEST stands amongst the ranks of leading investment organizations in the region, recognized for its distinguished reputation, proven professionalism, and capabilities. Within 2020, we aim to reconnect with our direct investors and shareholders in a more impactful manner, to ensure they remain abreast with organizational developments, and to engage on new investment frontiers. We will gear our investments towards a lower real estate exposure through strategic diversification, as well as specific exits on projects that have reached their maximum potential. Moreover, we will extend both our support and guidance to our key subsidiaries to ensure their success.

In Closing

I take this opportunity, in my capacity as Chairman of INOVEST, and on behalf of my colleagues the members of the Board of Directors, to thank our shareholders, for their continued support. Moreover, I would also like to extend my sincere appreciation to the executive team and staff members within the Group whose daily contributions are key to our success, as well as to investors, partners, and other stakeholders for their belief and dedication, and in particular to 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.

Lastly, we pray to Almighty Allah to guide and support us and pave our way to achieving continued success.

On behalf of the Board of Directors,



Dr. Omar Al Mutawa
Board Chairman

Corporate Social Responsibility

INOVEST recognizes its responsibility and representation within the community and is committed to reflecting that through its Corporate Social Responsibility (CSR) program which is designed to reflect the Group's moral commitment to contributing to and developing the societies it serves.

In order to centralize efforts, INOVEST focused on the theme of empowerment through knowledge as a guiding manifesto for its CSR directives. This theme is one that resonates with INOVEST's belief that people are at the foundation of societal growth, and their development is central to our collective success, sustainability, and progress. Through the following CSR initiatives, INOVEST sought to help realize the potential of vulnerable groups in the community and provide them with maintainable tools for their personal and professional development.

Initiatives:

1. Growth Through Education

INOVEST worked with Al Sanabel Orphanage to sponsor a student for their full 4-year program at Bahrain University with the addition of social assistance.

2. Sustaining Schooling, Sustaining Smiles

INOVEST provided practical assistance in ensuring children diagnosed with cancer were able to maintain their education to the fullest extent possible through sponsorship of educational back to school campaigns, as well as participation in awareness programs, and direct donations for the provision of facilitative equipment.

3. Long Term Developments

Funds were allocated towards building and operating a residential youth facility for the benefit of young adults who suffer from moderate growth delay, in order to support their long-term skill development towards being active contributors to society.



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 first quarter of the year 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 & 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 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 Tuwajiri		29 March 2011		Executive	Vice Chairman	Continuous Membership
Mishari Fuad Al Fozan		12 February 2018		Independent	Member	-
Khaled Abdulaziz Al Ghanem		12 February 2018		Independent	Member	-
Meshal Yousef Al Zayed		12 February 2018		Independent	Member	-
Yaqoub Yousef Bander		12 February 2018		Executive	Member	-
Abdulrahman Hesham Al Neseif		12 February 2018		Independent	Member	-

4. Director Ownership of Shares

None of the share of the company was owned by Board member as at 31st Dec 2019.

5. Distribution of Shareholding

5.1 Distribution of Shares per Nationality

As of 31 December 2019, the Company's register show that there were 675 shareholders who own in total 286,511,225 shares. Following is the distribution of shares in the Company per nationality:

Nationality	Number of Shares	% Ownership
Kuwaiti	22,748,991	80.38
Emirati	230,297,723	8.17
Bahraini	23,407,967	7.94
Saudi	7,879,059	2.75
Others	2,177,485	0.76
Total	286,511,225	100

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

The following schedule shows number and names of shareholders who own 5% of Company's shares or more as of 31 December 2019:

Shareholders	Number of Shares	State	% Ownership
Gulf Investment House (GIH)	38,981,591	Kuwait	13.606
Mechanism General Trading Company	24,950,000	Kuwait	8.708
Dubai Islamic Bank	19,748,883	United Arab Emirates	6.893

5.3 Distribution of Share Ownership per Quantity/Size

The following schedule shows the distribution of share ownership as of 31 December 2019 as per shareholding size:

Categories:	Number of shares	Number of Shareholders	% Ownership
Less than 1%	75,348,898	655	26.30
1% up to less than 5%	127,481,853	17	44.49
5% up to less than 10%	44,698,883	2	15.60
10% up to less than 20%	38,981,591	2	13.61
Total	286,511,225	675	100

5.4 Ownership by Government

None of the share of the company was owned by the Government as at 31st December 2019.

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		Independent
Bashar Naser Al Tuwajiri	Member		Non-Executive
Dawoud Salman Bin Essa	Member		Independent

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

Nomination & Remuneration Committee Members	Position	Responsibilities	Type of Membership
Omar Salem Al Mutawa	Chairman	Human Resource	Independent
Mishari Fuad Al Fozan	Vice Chairman	Compensation & Benefits	Independent
Meshal Yousef Al Zayed	Member	Management Issues	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 2019, the Board of Directors met four times and the Annual General Meeting of the Company was held on 29 March 2019.

In addition, the Audit & Risk Committee met four 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 two independent members and one executive member.

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 times 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 1996 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
Non-Executive

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 Neseif
Member
Independent

Mr. Abdulrahman Al Neseif 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 Neseif ultimately left MENA Real Estate Company in 2016.

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

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

Meshal Yousef Al Zayed
Member
Independent

Mr. Meshal 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 2006 as Director of Marketing.

From 2006 to 2012 Mr. Meshal 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.

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
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 2019:

Board Member	Meeting Date				% Attendance
	14- February 2018	2 May 2019	31 October 2019	29 December 2019	
Omar Salem Al Mutawa	✓	✓	✓	✓	100%
Bashar Naser Al Tuwajjiri	✓	✓	✓	✓	100%
Abdulrahman Hesham Al Neseif	✓	✓	✓	✓	100%
Meshal Yousef Al Zayed	✓	✓	✓	✓	100%
Mishari Fuad Al Fozan	✓	✓	✓	✗	75%
Khaled Abdulaziz Al Ghanem	✓	✓	✓	✓	100%
Yaqoub Yousef Bander	✓	✓	✓	✓	100%

Nomination and Remuneration Committee: Four meetings were held during 2019:

Board Member	Meeting Date				% Attendance
	14 February 2018	2 May 2019	25 July 2019	29 December 2019	
Omar Salem Al Mutawa	✓	✓	✓	✓	100%
Mishari Fuad Al Fozan	✓	✓	✓	✗	75%
Meshal Yousef Al Zayed	✓	✓	✓	✓	100%

Corporate Governance Committee: Four meetings were held during 2018:

Board Member	Meeting Date				% Attendance
	14 February 2018	2 May 2019	31 October 2019	29 December 2019	
Mishari Fuad Al Fozan	✓	✓	✓	✘	75%
Abdulrahman Hesham Al Neseef	✓	✓	✓	✓	100%
Bashar Naser Al Tuwajiri	✓	✓	✓	✓	100%
Dawoud Salman Bin Essa	✓	✓	✓	✓	100%

Audit & Risk Committee: six meetings were held during 2018:

Board Member	Meeting Date				% Attendance
	13 February 2018	2 May 2019	22 October 2019	29 December 2019	
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\$ 390,878 in 2019.

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 Bachelors degree in Shariah sciences, and is well on his way to receiving a master's degree in Islamic Economic Studies. Shaikh Bin Essa has long standing experience (since 2005) working in the fields of audit and shariah compliance within several Shariah compliant financial institutions within Kuwait. He is one of the founders of the Kuwaiti based shariah consulting company, and has been positioned as a member of the Shariah Compliance Authority in Kuwait, and is an active participant in numerous conferences and seminars on Islamic jurisprudence and specifically in shariah compliance. He serves as the General Manager of Taiba Financial Sharia Consultation.

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 Intiyaz, a former member of the Shariah Board for UIB (Bahrain), a former member of the Shariah Commission associated with AlMashair 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
Executive 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. Yasser 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.

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, 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, 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 13 years of communications experience within the financial sector, Mrs Dana Al Haddad, is responsible for Inovent’s corporate communications, branding, PR, internal communications, and events. During her career Mrs Dana 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, water technology, and oil and gas sectors. Having been appointed Head of Human Resources in 2015, Mrs Dana Al Haddad also manages all HR issues across the group; from strategic planning, administration, to the application and coordination of all HR policies and programs.

Mrs Dana Al Haddad graduated summa cum laude with a Master 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 15 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. Yusuf Maraghi was Head of Finance at Eazy Financial Services, and held positions in major academic institutions, and in AlSalam Bank before that.

Mr. Yusuf 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 Zainalabedeem
Head of Internal Audit

Mr. Hamad Zainalabedeem joined Inovent BSC in 2009 as the Head of Internal Audit Department. Mr. Zainalabedeem has worked in a number of local and world renowned financial institutions and professional audit firms over the last 18 years with extensive auditing experience in Islamic Investment Banks, Investment Businesses, Manufacturing Enterprises, Governmental Organizations and other sectors.

Prior to joining Inovent, Mr. Zainalabedeem 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. Zainalabedeem holds an Executive MBA and Bachelors of Science in Accounting from the University of Bahrain.

Ismaeel Omar Elnasri **Head of Legal**

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 Inovert 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 (CIArb-UK).

16. Executive Management Shareholding

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

17. Details of stock options incentive

No stock option incentive has been provided to senior management.

18. 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 remuneration paid to the senior Management was US\$1,169,641 in 2019.

19. 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 2019.

20. 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.

21. 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 2019. Total fees approved by the Board of Directors for the external auditors were US\$ 46,419.

23. 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 2019

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 2019, and upon comparing them with the fatwa and rulings issued during the financial year ended on 31 December 2019, 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 2019 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 2019, 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 Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Inovert B.S.C. (the "Company" and its subsidiaries (together the "Group")), as of 31 December 2019, and the related consolidated statements of income, cash flows, changes in owners' equity and sources and uses of charity fund for the year then ended. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

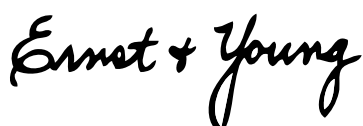
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019, the results of its operations, its cash flows, changes in owners' equity and sources and uses of charity fund for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on Other 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; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements.

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, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2019 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Group has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.



Partner's registration no: 45
16 February 2020
Manama, Kingdom of Bahrain

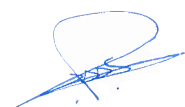
Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Expressed in US\$000's)

	Note	2019	2018
ASSETS			
Cash and bank balances	5	37,315	36,375
Accounts receivable	6	18,672	32,656
Investments	7	13,052	16,201
Investment in a joint venture and associates	8	87,387	88,500
Investments in real estate	9	77,402	80,786
Property, plant and equipment	10	9,982	11,146
Other assets	11	521	1,305
TOTAL ASSETS		244,331	266,969
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	12	75,369	93,389
Financing from a bank	13	6,386	9,227
Total liabilities		81,755	102,616
Owners' Equity			
Share capital	14	114,604	114,604
Less: Treasury shares	14	(1,239)	(1,239)
		113,365	113,365
Reserves	15	4,073	3,358
Retained earnings		20,529	19,808
Equity attributable to Parent's shareholders		137,967	136,531
Non-controlling interest		24,609	27,822
Total owners' equity		162,576	164,353
TOTAL LIABILITIES AND OWNERS' EQUITY		244,331	266,969



Dr. Omar Salem Al Mutawa
Chairman



Yaser Hamad Al-Jar
Chief Executive Officer

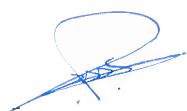


Khaled Abdulaziz Al Ghanem
Director

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2019
(Expressed in US\$000's)

	Note	2019	2018
OPERATING INCOME			
Net income from construction contracts	16	4,196	16,239
Income from investment in real estate	17	8,327	3,073
Income from investments	18	147	3,566
Fee for management and other services	19	3,411	953
Net share of loss from investment in a joint venture and associates	8	(462)	(2,238)
Other income	20	4,325	2,142
TOTAL OPERATING INCOME		19,944	23,735
OPERATING EXPENSES			
Staff costs	21	5,657	5,235
General and administrative expenses	22	4,204	2,723
Financing costs		469	703
Property related expenses		2,273	1,651
Depreciation	10	1,172	908
TOTAL OPERATING EXPENSES		13,775	11,220
NET OPERATING PROFIT		6,169	12,515
Recoveries from impaired receivables	23	1,614	1,543
PROFIT FOR THE YEAR		7,783	14,058
Attributable to :			
Equity shareholders of the Parent		7,146	14,007
Non-controlling interest		637	51
BASIC AND DILUTED EARNINGS PER SHARE (US\$ cents)	24	2.52	4.95



Dr. Omar Salem Al Mutawa
Chairman



Yaser Hamad Al-Jar
Chief Executive Officer



Khaled Abdulaziz Al Ghanem
Director

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2019
(Expressed in US\$000's)

	Equity attributable to Parent's shareholders						Total equity	Non-controlling interest	Total owners' equity
	Share capital	Treasury shares	Reserves			Retained earnings			
			Statutory reserve	Share option reserve					
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 (note 18)	-	-	-	-	(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	
At 1 January 2018	114,604	(1,239)	1,957	42	7,036	122,400	27,771	150,171	
Cancellation of ESOP	-	-	-	(42)	166	124	-	124	
Profit for the year	-	-	-	-	14,007	14,007	51	14,058	
Transfer to statutory reserve	-	-	1,401	-	(1,401)	-	-	-	
At 31 December 2018	114,604	(1,239)	3,358	-	19,808	136,531	27,822	164,353	

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND
For the year ended 31 December 2019
(Expressed in US\$000's)

	2019	2018
Sources of charity funds		
Undistributed charity funds at the beginning of the year	-	-
Contributions made by the Company	50	-
Contributions for charitable purposes	(36)	-
Undistributed charity funds at 31 December	14	-

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(Expressed in US\$000's)

	Note	2019	2018
OPERATING ACTIVITIES			
Net profit for the year		7,783	14,058
Adjustments for:			
Depreciation	10	1,266	2,158
Net recoveries from impaired receivables	23	(1,614)	(1,543)
Net share of loss from investment in joint a venture and associates	8	462	2,238
Realised gain on sale of investment in real estate	17	(3,462)	(88)
Unrealised fair value loss on investment in real estate	9	-	2,387
		4,435	19,210
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		(15,253)	68
Accounts receivable		12,791	9,273
Other liabilities and accounts payable		(17,938)	(8,867)
Other assets		784	2,713
Net cash (used in) / from operating activities		(15,181)	22,397
INVESTING ACTIVITIES			
Proceeds from sale of investment		3,149	-
Purchase of non-controlling interest		(1,043)	-
Impairment loss on a joint venture	8	-	1,516
Additions in investment in real estate	9	(60)	(6,872)
Proceeds from sale of investment in real estate - net	9	6,906	610
Distributions received from a joint venture and associates	8	651	372
Purchase of property, plant and equipment	10	(103)	(345)
Dividends received from investments	18	-	719
Proceeds from sale of property, plant and equipment	10	1	6
Net cash from / (used in) investing activities		9,501	(3,994)
FINANCING ACTIVITIES			
Net movement in financing from a bank	13	(2,841)	(3,700)
Dividend paid		(5,660)	-
Net cash used in financing activities		(8,501)	(3,700)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		36,243	21,540
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	22,062	36,243
Non cash transactions comprise:			
Contributions by the Company towards charity Funds		14	-
Transfer of treasury shares		-	124
Purchase of investment in a joint venture and associates	8	-	6,649

The attached notes 1 to 31 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

1 CORPORATE INFORMATION AND ACTIVITIES

a) Incorporation

Invest 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. B.S.C.(c), which primarily carries out real estate and construction related activities. Since Al Khaleej Development Co. B.S.C.(c) 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 2019. 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.

The number of staff employed by the Group as at 31 December 2019 was 325 employee (31 December 2018: 589 employee).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 16 February 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2019

(Expressed in US\$000's)

2 BASIS OF PREPARATION (continued)

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.

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

Name of the subsidiary	Ownership 2019	Ownership 2018	Country of incorporation	Year of incorporation	Activity
Held directly by the Company					
Al Khaleej Development Co. B.S.C. (c)*	99.98%	99.98%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

Name of the subsidiary	Ownership 2019	Ownership 2018	Country of	Year of	Activity
Held indirectly by the Company					
Bahrain Investment Wharf B.S.C. (c) *	99.00%	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. *	99.00%	99.00%	Kingdom of Bahrain	2005	Management and maintenance of properties.
Tamcon Contracting Co. B.S.C. (c) *	99.00%	99.00%	Kingdom of Bahrain	2007	Contracting activities.
Dannat Resort Development Company Limited*	67.57%	67.57%	Cayman Islands	2008	Managing and Development of Real Estate Projects.
Tamcon Trading S.P.C.*	100.00%	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its spare parts and sale of building materials.
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%	56.67%	Kingdom of Bahrain	2007	Buying, selling and management of properties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(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.

2.4 New standards issued but not yet effective

The standards issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, when they become effective.

- FAS 30 - Impairment, Credit Losses and Onerous Commitments (effective from 1 January 2020)
- FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar) (effective from 1 January 2020)
- FAS 33 - Investment in Sukuk, Shares and Similar Instruments (effective from 1 January 2020)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

2 BASIS OF PREPARATION (continued)

2.4 New standards issued but not yet effective (continued)

- FAS 34 - Financial Reporting for Sukuk - holders (effective from 1 January 2020)
- FAS 35 - Risk Reserve (effective from 1 January 2021)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year as none of the 2019 changes in AAOIFI financial accounting standards (FAS) had any impact on the consolidated financial statements of the Group.

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.

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 unrealised gains or losses recognised in owners' equity until the investment is derecognised 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 owners' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture and associates (continued)

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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 profit 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of 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 value to it of anticipated future cash flows, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value.

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

	2019	2018
Short-term deposits (with an original maturity of 90 days or less)	9,297	10,136
Current account balances with banks	12,751	26,077
Cash in hand	14	30
Total cash and cash equivalents	22,062	36,243
Short-term deposits (with an original maturity of more than 90 days)	15,253	132
Total cash and bank balances	37,315	36,375

6 ACCOUNTS RECEIVABLE

	2019	2018
Amounts due from related parties (note 26)	14,604	14,848
Trade receivables	6,713	13,380
Other receivables	22,942	31,608
Rent receivable	1,699	1,690
	45,958	61,556
Less: provision for impaired receivables	(27,286)	(28,900)
	18,672	32,656

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

6 ACCOUNTS RECEIVABLE (continued)

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

	2019	2018
At 1 January	28,900	30,457
Charge during the year	-	243
Write off during the year	-	(14)
Write back during the year	(1,614)	(1,786)
At 31 December	27,286	28,900

7 INVESTMENTS

	2019	2018
Equity-type instruments at fair value through equity - Unquoted		
Real estate related	17,838	20,987
Others	2,130	3,642
	19,968	24,629
Less: Provision for impairment	(6,916)	(8,428)
At 31 December	13,052	16,201

Equity-type investments at fair value through equity include investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for accruing at a reliable fair value.

The movement in provision for impairment on investments is as follows:

	2019	2018
At 1 January	8,428	8,428
Write off	(1,512)	-
At 31 December	6,916	8,428

8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES

	2019	2018
At 1 January	88,500	85,938
Acquisitions during the year	-	6,649
Distributions during the year	(651)	(372)
Impairment loss on a joint venture	-	(1,516)
Net share of loss	(462)	(2,238)
Other adjustments	-	39
At 31 December	87,387	88,500

The Group maintains a provision for impairment of US\$ 15 million (31 December 2018: US\$ 15 million) against its investment in a joint venture and associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

The movement in provision for impairment on investment in a joint venture and associates is as follows:

	2019	2018
At 1 January	15,002	13,486
Charge during the year	-	1,516
At 31 December	15,002	15,002

The Group has an investment in the following joint venture:

Name	Principal activities	Ownership		Country of incorporation	Carrying value	
		2019	2018		2019	2018
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	40,304	40,378

Summarised financial information of joint venture

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

	2019	2018
Total assets	57,651	57,799
Total liabilities	719	730
Total revenues	-	-
Total net loss	(133)	(68)

The joint venture had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

The principal associates of the Group are:

Name of associate	Principal activities	Ownership		Country of incorporation	Carrying value	
		2019	2018		2019	2018
Durrat Marina Investment Company Ltd.	Development and sale of commercial and residential properties	32.76%	32.76%	Cayman Islands	38,678	39,328
Takhzeen Warehousing and Storage Company B.S.C. (c)	Management and maintenance of warehouses	37.24%	37.24%	Kingdom of Bahrain	4,762	5,151
Boyot Al Mohandseen Contracting Company	Development of real estate in Dhahran, Kingdom of Saudi Arabia	23.17%	23.17%	Kingdom of Saudi Arabia	3,643	3,643
					47,083	48,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

8 INVESTMENT IN A JOINT VENTURE AND ASSOCIATES (continued)

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

	2019	2018
Summarised financial information of associates		
Total assets	156,146	159,173
Total liabilities	9,141	9,138
Total revenues	-	1,536
Total net loss	(1,282)	(7,383)

The associates had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

9 INVESTMENTS IN REAL ESTATE

	2019	2018
At 1 January	80,786	76,823
Additions during the year	60	6,872
Unrealised fair value loss on investment in real estate (note 17)	-	(2,387)
Disposals during the year	(3,444)	(522)
At 31 December	77,402	80,786

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\$ 94.62 million (31 December 2018: US\$ 96.29). 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\$ 77.4 million (31 December 2018: US\$ 80.8 million) approximates its fair value.

Investments in real estate stated at a carrying amount of US\$ 18.7 million (31 December 2018: US\$ 22.63 million) are secured as collateral against the financing facilities obtained (note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

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 2019	10,122	10,621	1,530	2,357	24,630
Additions	-	-	103	-	103
Disposals	-	(40)	(46)	(115)	(201)
At 31 December 2019	10,122	10,581	1,587	2,242	24,532
Accumulated depreciation					
At 1 January 2019	1,918	8,357	1,413	1,796	13,484
Charge	406	646	69	145	1,266
Disposals	-	(40)	(45)	(115)	(200)
At 31 December 2019	2,324	8,963	1,437	1,826	14,550
Net book amount:					
At 31 December 2019	7,798	1,618	150	416	9,982
At 31 December 2018	8,204	2,264	117	561	11,146

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

	2019	2018
Depreciation charged to contract costs (note 16)	94	1,250
Depreciation charged to expenses	1,172	908
	1,266	2,158

11 OTHER ASSETS

	2019	2018
Advances to contractors	212	927
Prepayments	309	378
	521	1,305

12 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	2019	2018
Lease rent payables (note 12.1)	50,105	50,105
Accruals and other payables	8,677	24,085
Case compensation and other contingencies (note 12.2)	8,497	8,858
Amounts due to related parties (note 12.3 and 26)	4,754	4,689
Retentions payable	2,808	4,398
Trade payables	528	1,254
	75,369	93,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

12 OTHER LIABILITIES AND ACCOUNTS PAYABLE (continued)

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

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

The Company has a history of legal claims filed against it. Due to such claims history the management has made an assessment of potential future claims against the Company and accordingly retained provision of US\$ 8,149 thousand (31 December 2018: US\$ 8,149 thousand) for such future contingencies.

Note 12.3

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

13 FINANCING FROM A BANK

	2019	2018
Commodity murabaha financing	6,386	9,227

The Group has obtained financing from a bank to fund the acquisition of investments, purchase of real estate and to meet working capital requirements. These liabilities bear market rates of profit and are repayable in accordance with the repayment terms agreed with the respective bank.

14 SHARE CAPITAL

	2019	2018
Authorised		
375,000,000 (31 December 2018: 375,000,000) ordinary shares of US\$ 0.40 each	150,000	150,000
Issued and fully paid-up		
Opening balance		
286,511,225 (31 December 2018: 286,511,225) ordinary shares of US\$ 0.40 each	114,604	114,604
Treasury shares		
Less: 3,500,000 (31 December 2018: 3,500,000) treasury shares	(1,239)	(1,239)
Closing balance		
283,011,225 (31 December 2018: 283,011,225) ordinary shares	113,365	113,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

14 SHARE CAPITAL (continued)

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 2019

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%

At 31 December 2018

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.

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

At 31 December 2019

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	75,348,898	655	26.30%
1% up to less than 5%	127,481,853	17	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	675	100%

At 31 December 2018

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	80,283,100	688	28.02%
1% up to less than 5%	122,547,651	16	42.77%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

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\$ 715 thousand has been made for the year ended 31 December 2019 (31 December 2018: US\$ 1,401 thousand).

b. Share option reserve

This represents the difference between the grant price and fair value of the Company's share options issued to the Group's employees in accordance with the Employee Share Option Plan ("ESOP") Scheme.

16 NET INCOME FROM CONSTRUCTION CONTRACTS

	2019	2018
Contract income	4,783	54,875
Contract costs	(587)	(38,636)
	4,196	16,239

The contract costs include depreciation amounting to US\$ 94 thousand (31 December 2018: US\$ 1,250 thousand).

17 INCOME FROM INVESTMENT IN REAL ESTATE

	2019	2018
Rental income	4,865	5,372
Realised gains on sale of investment in real estate	3,462	88
Unrealised fair value losses on investment in real estate (note 9)	-	(2,387)
	8,327	3,073

18 INCOME FROM INVESTMENTS

	2019	2018
Realised gain on sale of an investment	147	4,363
Dividend income	-	719
Impairment loss on a joint venture (note 8)	-	(1,516)
	147	3,566

19 FEE FOR MANAGEMENT AND OTHER SERVICES

	2019	2018
Property and facility management income	3,346	636
Financial advisory service charges	65	95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

20 OTHER INCOME

	2019	2018
Electricity and water services	1,431	1,640
Profit on short-term deposits	831	191
Others	1,498	311
Reversal of accrued expense	565	-
	4,325	2,142

21 STAFF COSTS

	2019	2018
Salaries and benefits	4,656	4,603
Other staff expenses	1,001	632
	5,657	5,235

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Legal and professional fees	1,270	730
Rent, rates and taxes	734	601
Board member expenses	773	238
Advertising and marketing	91	236
Regulatory fees	299	186
IT related expenses	176	143
Travelling and transportation	35	128
Labour accommodation expenses	29	115
Directors professional liability insurance	53	57
Financial penalties (note 22.1)	-	10
Foreign exchange loss	9	1
Other expenses	735	278
	4,204	2,723

Note 22.1

During 2018, Kuwait Capital Markets Authority imposed a financial penalty of US\$ 10 thousand for delay in disclosure of material information relating to the exit from real estate investment in Saudi Arabia in July 2018.

23 RECOVERIES FROM / (PROVISION AGAINST) IMPAIRED RECEIVABLES

The Group reversed an amount of US\$ 1,614 thousand (31 December 2018: US\$ 1,786 thousand) as a result of settlements in respect of outstanding account receivables due from third parties.

During 2018, the Group booked a provision against one of its related party receivables amounting US\$ 243 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

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:

	2019	2018
Income attributable to the equity shareholders of the parent for the year	7,146	14,007
Weighted average number of shares outstanding at the beginning and end of the year	283,011	283,011
Earnings per share - US\$ cents	2.52	4.95

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

25 DIVIDEND PAID

Following the shareholders' approval at the Annual General Meeting held on 28 March 2019, cash dividend of US\$ 2 cents per share totalling US\$ 5,660 thousand was paid for the year ended 31 December 2018.

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.

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 2019				31 December 2018			
	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	9,635	-	4,969	14,604	9,606	-	5,272	14,878
Provision	(8,764)	-	(2,408)	(11,172)	(8,764)	-	(2,407)	(11,171)
Accounts receivable - net	871	-	2,561	3,432	842	-	2,865	3,707
Other liabilities and accounts payable	4,529	-	225	4,754	4,662	25	2	4,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	31 December 2019				31 December 2018			
	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 for management and other services	32	-	48	80	32	-	101	133
Income from investments	-	-	-	-	-	-	4,363	4,363
Net share of loss from investment in a joint venture and associates	(462)	-	-	(462)	(2,238)	-	-	(2,238)
	(430)	-	48	(382)	(2,206)	-	4,464	2,258
Expenses								
Staff costs	-	1,915	-	1,915	-	1,498	-	1,498
General and administrative expenses	7	864	73	944	6	362	73	441
	7	2,779	73	2,859	6	1,860	73	1,939

Compensation of the key management personnel is as follows:

	2019	2018
Salaries and other benefits	1,915	1,498

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 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	300,804	46,939	115,524	313	(219,249)	244,331
Segment liabilities	48,982	7,883	51,661	46	(26,817)	81,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

27 SEGMENTAL INFORMATION (continued)

	31 December 2018					
	Investment and related services	Construction Contracts	Development and sale of industrial plots	Property and facility management services	Eliminations	Total
Net revenues from external customers	(533)	16,239	4,599	(40)	-	20,265
Inter-segment transactions	-	-	-	231	(231)	-
Income from investments	1,590	-	-	-	1,976	3,566
Net share of (loss) / income from investment in a joint venture and associates (note 8)	(2,238)	-	-	-	-	(2,238)
Other income	92	173	2,245	9	(377)	2,142
Total revenue	(1,089)	16,412	6,844	200	1,368	23,735
Segment (loss) / profit	(6,368)	12,495	5,845	47	2,039	14,058
Segment assets	307,104	65,891	113,981	256	(220,263)	266,969
Segment liabilities	66,471	20,244	56,155	47	(40,301)	102,616

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:

	2019	2018
Guarantees	20,765	21,577

The Group has the following operating lease commitments:

	2019	2018
Future minimum lease payments:		
Within one year	160	421
After one year but not more than five years	-	68
Total	160	489

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 2019, the carrying value of such assets is US\$ 128 million (31 December 2018: US\$ 129 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(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 2019	Gross maximum exposure 2018
Accounts receivable	18,672	32,656
Commitments and contingent liabilities	20,765	21,577
Total	39,437	54,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

30 RISK MANAGEMENT (continued)

a) Credit risk (continued)

ii) Aging of past due but not impaired facilities

The following table summarises the aging of past due but not impaired assets as of:

	31 December 2019				Total
	Up to 6 months	6-12 Months	1-3 Years	3 Years and above	
Accounts receivable	756	210	39	-	1,005

	31 December 2018				Total
	Up to 6 months	6-12 Months	1-3 Years	Years and 3 above	
Accounts receivable	744	1,860	8,927	-	11,531

Accounts receivables amounting to US\$ 0.05 million (31 December 2018: US\$ 1.85 million) have been classified as individually impaired.

iii) 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 2019			31 December 2018		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
Geographic region:						
Kingdom of Bahrain	185,160	81,755	20,765	206,352	102,613	21,577
Other GCC countries	59,171	-	-	60,617	3	-
	244,331	81,755	20,765	266,969	102,616	21,577

	31 December 2019			31 December 2018		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
Industry sector:						
Real estate	179,024	67,752	20,765	184,643	73,154	21,577
Non real estate	65,307	14,003	-	82,326	29,462	-
	244,331	81,755	20,765	266,969	102,616	21,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2019

(Expressed in US\$000's)

30 RISK MANAGEMENT (continued)

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 2019 and 2018, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019
(Expressed in US\$000's)

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 2018 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	34,999	1,334	-	42	-	-	-	-	36,375
Accounts receivable	15,401	1,800	919	2,095	12,441	-	-	-	32,656
Investments	-	-	-	-	16,201	-	-	-	16,201
Investment in a joint venture and associates	-	-	-	-	88,500	-	-	-	88,500
Investments in real estate	-	-	-	-	80,786	-	-	-	80,786
Property, plant and equipment	-	-	-	-	-	-	-	11,146	11,146
Other assets	724	214	240	122	5	-	-	-	1,305
Total assets	51,124	3,348	1,159	2,259	197,933	-	-	11,146	266,969
LIABILITIES									
Other liabilities and accounts payable	19,444	456	562	2,031	17,807	3,316	49,773	-	93,389
Financing from a bank	39	960	972	1,992	5,264	-	-	-	9,227
Total liabilities	19,483	1,416	1,534	4,023	23,071	3,316	49,773	-	102,616
Net liquidity gap	31,641	1,932	(375)	(1,764)	174,862	(3,316)	(49,773)	11,146	164,353
Cumulative liquidity gap	31,641	33,573	33,198	31,434	206,296	202,980	153,207	164,353	
Contingencies and commitments	-	-	-	-	21,577	-	-	-	21,577

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.