GBCORP B.S.C. (c)
(Formerly "Global Banking Corporation B.S.C. (c)")

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

31 DECEMBER 2020

BOARD OF DIRECTORS REPORT
for the year ended 31st December 2020

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammad

On behalf of the Board of Directors of GBCORP B.S.C. (c) ("GBCORP"), I am pleased to present to you the financial statements of GBCORP for the Financial Year Ended 31st December 2020.

GBCORP's total operating income for the Financial Year Ended 31st December 2020 was US$ 5.8 million. A total expense amounted to US$ 4.2 million and net provision for credit losses was US$ 2.2 million. Thus the net loss of GBCORP is US$ 0.6 million for the year ended as on 31st December 2020 as compared to net profit of US$ 5.6 million in 2019. GBCORP's total assets decreased to US$ 15.3 million compared to US$ 125.2 million in 2019.

In line with Article 188 of the Bahraini Commercial Companies Law No. (21) for the Year 2001, the Board of Directors sitting fees and expenses relating to the financial year ended 31st December 2020 are as follows:

Board of Directors' Sitting Fees:	US$ 86,000.00
Board of Directors' Remuneration:	US$ 92,838.20
Other expenses:	US$ 266.93
Total:	US$ 179,105.13

GBCORP continues to operate with a small cost base consisting of minimum staff number and controlled expenses. During 2020, no new business activity was undertaken. GBCORP's shareholders had resolved to change GBCORP's license from an Islamic Wholesale Bank to a Category 1 Investment Business Firm. In November 2019, the CBB granted final approval to GBCORP's application for change of license and to operate under the name GBCORP B.S.C. (c) subject to completion of certain legal formalities including amendments to the Memorandum and Articles of Association and changing the legal status of registration with the MOICT, which were concluded during the year.

In the EGM held on 3 December 2019, the GBCORP's shareholders resolved to reduce GBCORP's paid-up share capital from US$ 200 million to US$ 13.1 million and authorized share capital from US$ 500 million to US$ 50 million. During the year, CBB's final approval was received for the proposed reduction in capital and accordingly the authorized capital was reduced from US$ 500 million to US$ 50 million and paid up share capital was reduced, from US$ 200 million to US$ 13.1 million, through the following distributions to the shareholders:

1. Cash of US$ 20 million by cancelling the Company's shares totalling 20 million, having face value US$ 1 each;
2. 41,422 shares owned by GBCORP in Marsa Al Seef Investment Company Limited with a carrying value US$ 33.4 million towards cancellation of the Company's 33.4 million shares of US$ 1 each;
3. 7,692,308 shares owned by GBCORP in Boulevard Al Areen Real Estate Development Company with a carrying value US$ 8.1 million towards cancellation of the Company's 8.1 million shares of US$ 1 each;
4. Ownership of investment property with a net book value of US$ 45.8 million towards cancellation of the Company's 45.8 million shares with a face value US$ 1 each;
5. Ownership of property and equipment with a net book value of US$ 2.3 million towards cancellation of the Company's 2.3 million shares with a face value US$ 1 each;
6. Accumulated losses of GBCORP of US$ 7.3 million were written off against the statutory reserve. Remaining accumulated losses of GBCORP of US$ 76.5 million were written off by cancelling 76.5 million of the Company's shares with a face value US$ 1 each; and
7. Voluntary reserve of US$ 0.8 million was created against the issued and paid up share capital.

BOARD OF DIRECTORS REPORT
for the year ended 31st December 2020

The Board would like to take this opportunity to express its sincere appreciation to our shareholders, clients and strategic partners for their continued support, trust and faith in our management and staff during this time of uncertainty. The Board also wishes to thank our Shari'a Supervisory Board and the Central Bank of Bahrain, for their constructive assistance and advice. This is immensely encouraging in helping us building towards long- term success.

Hesham Ahmed Al Rayes
Chairman

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GBCORP B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of GBCORP B.S.C. (c) (the "Company") and its subsidiaries (together the "Group"), which compromise the consolidated statement of financial position as at 31 December 2020, and the related consolidated statements of income, cash flows and changes in equity, for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

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

Other information included in the Group's 2020 Board of Director's Report
Other information consists of the information included in the Board of Director's Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements
The accompanying consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GBCORP B.S.C. (c) (continued)

Report on Other Legal and Regulatory Requirements

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

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, or the terms of the Company's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Company or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst & Young

Auditor's Registration No: 212
4 March 2021
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	**2020 US $ 000**	2019 US $ 000
ASSETS			
Cash and bank balances and placements with financial institutions	7	**13,963**	32,856
Investment securities	8	**-**	41,524
Investment property	9	**-**	46,716
Property and equipment	10	**414**	2,709
Other receivables and prepayments	11	**901**	1,440
TOTAL ASSETS		**15,278**	125,245
LIABILITIES AND EQUITY			
Liabilities			
Accruals and other liabilities	12	**1,761**	1,101
Total liabilities		**1,761**	1,101
Equity			
Share capital	13	**13,144**	200,000
Voluntary reserve	13	**799**	-
Statutory reserve	13	**-**	7,284
Accumulated losses		**(426)**	(83,140)
Total equity		**13,517**	124,144
TOTAL LIABILITIES AND EQUITY		**15,278**	125,245

Hesham Ahmed Al Rayes
Chairman

Isa Abdulla Zainal
Vice Chairman

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2020

	Note	**2020 US$ 000**	2019 US$ 000
Income			
Income from investment property	14	**2,492**	3,758
Income from investment management services	17	**2,470**	-
Income from placements with financial institutions		**819**	1,073
Other income		**8**	1,944
Total income		**5,789**	6,775
Expenses			
Depreciation	9,10	**1,322**	1,671
Premises costs		**861**	1,395
Staff costs	15	**741**	951
Legal and professional expenses		**727**	529
Other operating expenses	16	**567**	765
Total expenses		**4,218**	5,311
Net income for the year before impairment losses		**1,571**	1,464
Provision for credit losses / recovery of impaired receivables - net	7,11	**(2,203)**	4,088
Net (loss) / income for the year		**(632)**	5,552

Hesham Ahmed Al Rayes
Chairman

Isa Abdulla Zainal
Vice Chairman

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital US$ 000	*Voluntary reserve US$ 000*	*Statutory reserve US$ 000*	*Accumulated losses US$ 000*	*Total US$ 000*
Balance at 1 January 2020 as previously reported	200,000	-	7,284	(83,140)	124,144
Impact of adopting FAS 30 (note 5)	-	-	-	(400)	(400)
Restated balance at 1 January 2020	200,000	-	7,284	(83,540)	123,744
Capital reduction (note 13)	(186,856)	799	(7,284)	83,746	(109,595)
Net loss for the year	-	-	-	(632)	(632)
Balance at 31 December 2020	**13,144**	**799**	**-**	**(426)**	**13,517**
Balance at 1 January 2019	200,000	-	7,284	(88,692)	118,592
Net income for the year	-	-	-	5,552	5,552
Balance at 31 December 2019	200,000	-	7,284	(83,140)	124,144

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	**2020** **US$ 000**	2019 US$ 000
OPERATING ACTIVITIES			
Net (loss) income for the year		**(632)**	5,552
Adjustments for:			
Depreciation	9,10	**1,322**	1,671
Amortisation of prepaid car park rent	16	**247**	531
Expected credit losses / recovery of impaired receivables	7,11	**2,203**	(4,088)
Operating income before changes in operating assets and liabilities		**3,140**	3,666
Changes in operating assets and liabilities:			
Placements with financial institutions with original maturity of more than 90 days		**15,786**	(6,500)
Other receivables and prepayments		**(2,174)**	10,213
Accruals and other liabilities		**660**	(8,337)
Net cash flows from (used in) operating activities		**17,412**	(958)
INVESTING ACTIVITIES			
Additions to investment property	9	**-**	(200)
Additions to property and equipment	10	**(311)**	(67)
Net cash used in investing activities		**(311)**	(267)
FINANCING ACTIVITY			
Cash distribution for capital reduction	13	**(20,000)**	-
Net cash used in financing activity		**(20,000)**	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(2,899)**	(1,225)
Cash and cash equivalents at 1 January		**5,030**	6,255
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**2,131**	5,030

The attached notes 1 to 21 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Incorporation
GBCORP B.S.C. (c) (the “Company”) (formerly known as "Global Banking Corporation B.S.C. (c)" (the “Bank”)) is a closed joint stock company incorporated in the Kingdom of Bahrain on 25 June 2007 under the Bahrain Commercial Companies Law and is registered with the Ministry of Industry, Commerce and Tourism ("MOICT") under Commercial Registration (CR) number 65708. The Company is a 50.41% owned subsidiary of GFH Financial Group B.S.C. (the "Parent”).

Reduction of share capital
The Company effected a capital reduction following shareholders' approval dated 3 December 2019. The details of these are discussed in note 13.

Change of license and change of legal name
The Company was originally established as an Islamic Wholesale Islamic bank licensed by the Central Bank of Bahrain (the "CBB"). 'Following shareholders' and the CBB's approvals in June 2017 and November 2019, respectively, the Company changed its license to a Category 1 Investment Business Firm (Islamic Principles). The legal formalities relating to the change of license and change of legal name of the Company were concluded during the year, and the Group received the approval for the license change from the CBB on 17 September 2020.

Activities after change of license
The Company’s activities continue to be regulated by the CBB and supervised by a Shari’a Supervisory Board comprising of one Islamic scholar. The principal activities of the Company include:

- Dealing in financial instruments as principal (including underwriting);
- Dealing in financial instruments as agents;
- Arranging deals in financial instruments;
- Managing financial instruments;
- Safeguarding financial instruments
- Arranging credit and advising on credit;
- Advising on financial instruments; and
- Operating a Collective Investment Undertaking (i.e. an operator).

The Company and its subsidiaries referred to in note 3.3 (together the "Group") operate in the Kingdom of Bahrain.

The consolidated financial statements were approved by the Board of Directors on 8 February 2021.

2 IMPACT OF COVID-19

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

The Government of the Kingdom of Bahrain has announced various economic stimulus programmes (“Packages”) to support businesses in the wake of the economic downturn caused by COVID-19. The Group received financial assistance representing specified reimbursement of a portion of staff costs, levies and utility charges, as part of the Government's COVID-19 support measures. Accordingly, the Group recognised reduction in expense of US$ 168 thousand comprising government grant received towards salary of Bahraini employees from April to June 2020 of US$ 58 thousand and utility charges of US$ 110 thousand.

3 BASIS OF PREPARATION

3.1 Accounting convention

The consolidated financial statements are prepared under the historical cost convention. The Company's functional currency is Bahraini Dinars ("BD") and the presentation currency is United States Dollars ("US$"). All the values are rounded to the nearest US$ '000, unless otherwise indicated.

3.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") 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 Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions 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").

3.3 Basis of consolidation

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

The Company's wholly owned subsidiaries, both of which are incorporated in the Kingdom of Bahrain, are:

Name of the entity	*Nature of business*
Diyafa Holdings Company W.L.L.	Virtual offices and hospitality services
Global Executive Offices Co. S.P.C.	Providing, operation, leasing and equipping offices

The Company's subsidiaries are entities (including special purpose entities) controlled by the Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements of the Group.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Foreign currency transactions

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency (BD) is converted to the presentation currency (US$) using a pegged exchange rate of 0.377.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the consolidated statement of financial position. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange gains and losses on non-monetary items classified as "fair value through statement of income" are taken to the consolidated statement of income and for items classified as "fair value through equity" such differences are taken to the consolidated statement of comprehensive income.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Foreign currency transactions (continued)

(iii) Group companies
The group companies' functional currencies are either denominated in US Dollars or currencies that are pegged to the US Dollars, and hence, the translation of the financial statements of such entities that have a functional currency different from the presentation currency do not result in any exchange differences.

4.2 Cash and cash equivalents
For the purpose of statement of cash flows, cash and cash equivalents comprise cash, bank balances and short-term highly liquid assets (placements with financial and other institutions) with original maturities of less than 90 days when acquired, which are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

4.3 Placements with financial institutions

(i) Wakala placements
These comprise interbank placements made under Shari'a compliant contracts. Placements are usually short-term and less than one year in nature and are stated at amortised cost.

(ii) Mudarabah investment account (unrestricted)
Mudarabah is a partnership between two parties, where one party provides the capital (Rab al Maal), and the other one possesses the necessary skills and expertise to manage such capital (Mudarab), for a pre-determined share of profit. These are stated at the fair value of consideration given less provision for impairment, if any.

(iii) Murabaha investment
Murabaha represents the sale of goods at cost plus an agreed profit. Murabaha receivables are stated net of deferred profits, any amounts written off and provision for impairment, if any. Promise made in the murabaha to the purchase orderer is not obligatory upon the customer.

4.4 Special purpose entities
Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or investment transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity so as to obtain benefits from its activities. Information about the Group's fiduciary assets under management is set out in note 17.

4.5 Investment property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the course of business, use in the production or supply of goods or services or for administrative purposes. The Group follows the cost model to measure its investment property and carries it at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Land is not depreciated. Building is depreciated over a period of 30 years on a straight line basis. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation on equipment is computed using the straight-line method to write off the cost of the assets over their estimated useful lives ranging from three to five years. Land is not depreciated. Self-occupied portion of the building is depreciated over a period 30 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition of property and equipment

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

4.7 Financial assets

Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through Other Comprehensive Income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of receivables, that do not contain a significant financing component, or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘Solely Payments of Principal and Profit (SPPP)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial assets (continued)

Financial assets at amortised cost (debt instruments) (continued)
Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include bank balances and placements with financial institutions.

Derecognition of 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 when:

(a) the rights to receive cash flows from the asset have expired; or
(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either;

- the Group has transferred substantially all the risks and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for ECLs for all non-listed debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there have been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payable and accrued expenses.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Accounts payable and accrued expenses

Liabilities for accounts payable and accruals are carried at the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable or religious 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.

4.10 Dividends to shareholders and board remuneration

Dividends to shareholders and board remuneration are recognised as liabilities in the period in which they are declared.

4.11 Share capital

Ordinary shares are classified as equity. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares.

4.12 Statutory reserve

The Bahrain Commercial Companies Law, 2001 (BCCL) requires that 10 percent of the annual net profit be appropriated to a statutory reserve after adjustment of accumulated losses which is normally distributable only on dissolution or in circumstances state in the BCCL subject to the approval of the CBB. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital.

4.13 Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or an agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Company in the consolidated financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Revenue recognition

(i) Income from investment property
Rental income from investment property leased out under operating lease is recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Utilities income is recognised based invoiced amount to tenants in accordance with the lease agreement.

(ii) Income from placements with financial and other institutions
Income from placements with financial and other institutions is recognised on a time-apportioned basis over the period of the related contract.

(iii) Mudarabah investment
Income on Mudarabah transactions are recognised when the right to receive such income is established or these are declared by the Mudarab, whichever is earlier. In case of losses on Mudarabah, the Company's share of loss is recognised to the extent that such losses are being deducted from its share of the Mudarabah capital.

(iv) Dividend income
Dividend income from investment securities is recognised when the right to receive the payment is established.

4.15 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 Company uses these funds for charitable means.

4.16 Zakah
The Group is not required to pay Zakah on behalf of its shareholders on its undistributed profits. However, the Group is required to calculate and notify, under a separate report, the individual shareholders, of their pro-rata share of the Zakah payable by them on distributed profits. These calculations are approved by the Group’s Shari’a Supervisory Board.

4.17 Employee benefits

(i) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits
Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Post employment benefits
Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Company are recognised as an expense in consolidated statement of income when they are due.

Certain employees on fixed contracts are also entitled to leaving indemnities, payable based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.19 Prepaid car park rent

The prepaid car park rent is amortised over the lease contract.

4.20 New standards, amendments and interpretations adopted during the year

FAS 30 - Impairment, Credit Losses and Onerous Commitments

FAS 30 was issued in November 2017. The requirements relating to impairment and credit losses of FAS 30 represent a significant change from FAS 11 "Provisions and Reserves". As permitted by FAS 30, the standard will be applied prospectively and the comparative amounts will not be restated. FAS 30 replaces the ‘incurred loss’ model in FAS 11 with Expected Credit Loss (ECL) model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity investments. The standard is effective from the financial periods beginning on or after 1 January 2020.

To reflect the differences between FAS 30 and FAS 11, the Group has disclosed the effect of the transition in note 5 to these consolidated financial statements.

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard is effective beginning on or after 1 January 2020, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either:

a) a pass-through investment; or
b) wakala venture.

Pass-through investment

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in an investment agency instruments; unless it opts to apply the wakala venture approach.

Under this approach, the principal shall initially recognize the assets underlying the wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

Wakala venture

The principal may opt to apply the wakala venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

Under this approach, an investment shall be accounted for in the books of the investor applying the “equity method of accounting”; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor’s share in profit or loss of the wakala venture.

From the agent's perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where by virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet.

An agent may maintain multi-level investment arrangements. Under such arrangement, the Company will reinvest Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 New standards, amendments and interpretations adopted during the year (continued)

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

Wakala venture (continued)
Management performed impact assessment for the implementation of FAS 31 and from the principal perspective, have opted to use Wakala venture approach with respect to their Wakala placements instead of pass-through approach given the difficulties for the principal to identify in which assets the funds are invested in. Hence, the investment is accounted for applying the equity method of accounting.

FAS 33 - Investment in sukuk, shares and similar instruments
This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Shari'a compliant investments and the primary accounting treatments commensurate to the characteristic and business model of institution under which the investments are made, managed and held.

This standard supersedes FAS 25 "Investment in Sukuk" and is effective beginning or after 1 January 2020 with early adoption permitted.

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

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

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

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 New standards, amendments and interpretations adopted during the year (continued)

FAS 33 - Investment in sukuk, shares and similar instruments (continued)

Subsequent measurement

a) Investments at amortised cost
Investments carried at amortised cost are remeasured as such using the effective profit rate method. All gains or losses arising from the amortisation process and those arising from de-recognition or impairment of the investment, are recognized in the income statement. Investment carried at amortised cost shall be tested for impairment at each reporting period in accordance with FAS 30 “Impairment, credit losses and onerous commitments”.

b) Investments at fair value through income statement
Investment carried at fair value through income statement are remeasured at fair value at end of each reporting period. The resultant remeasurement gain or loss, if any, being the difference between the carrying amount and the fair value is recognized in the income statement.

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

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

The Board of Directors assessed the implementation of FAS 33 and concluded as follows:

Except for investment securities, all financial assets held by the Group are classified as investments in monetary debt-type instruments and accordingly classified at amortised cost. With regard to the investments securities, the Group opted to make an irrevocable classification choice to classify them as investment at fair value through equity.

The adoption of the above standard did not have a material impact on these consolidated financial statements.

FAS 34 - Financial Reporting for Sukuk-holders
This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard is effective from the financial periods beginning on or after 1 January 2020, with early adoption permitted.

Adoption of the above standard did not have any impact on the accounting and the consolidated financial statements of the Group for the period ended 31 December 2020, as the Group has not issued any sukuk instruments.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FAS 35 - Risk Reserves
This standard defines the accounting and financial reporting principles for risk reserves to be in line with global best practices for accounting and risk management. This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments". Both standards FAS 35 & FAS 30 together supersede the earlier FAS 11 "Provisions and Reserves". This standard shall be effective beginning or after 1 January 2021, with early adoption is permitted, only if the financial institution decided to early adopt FAS 30.

The Board of Directors expects that the adoption of this standard will have no material impact on the consolidated financial statements of the Group in the year of initial application as the Group does not maintain risk reserves.

FAS 32 - Ijarah
This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.

The Board of Directors is currently assessing the impact of this standard on the consolidated financial statements upon the initial application.

5 TRANSITION DISCLOSURE

Changes in accounting policies resulting from the adoption of FAS 30 have been applied prospectively, and the impact on opening balances have been recognised through equity. Below are the differences in the carrying amounts of financial assets that have resulted from the adoption of FAS 30 which require adjustment in retained earnings and financial assets as at 1 January 2020.

Impact of adopting FAS 30

a) The adoption of FAS 30 did not result in any change in classification of financial assets. Following are the changes to the measurement of the financial assets on adoption of FAS 30:

	31 December 2019 balance	*Transition adjustment*	*1 January 2020 Restated balance*
	US$ 000	***US$ 000***	***US$ 000***
Placements with financial institutions	**32,791**	**(80)**	**32,711**
Receivables and other assets	**1,440**	**(320)**	**1,120**
		(400)	

b) Impact on accumulated losses

	Accumulated losses
	US$ 000
At 31 December 2019 as previously reported	**(83,140)**
Recognition of expected credit losses under FAS 30 on 1 January 2020	**(400)**
Restated under FAS 30 on 1 January 2020	**(83,540)**

6 SIGNIFICANT ASSUMPTIONS, JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The most significant uses of judgments and estimates are as follows:

6.1 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.

6.2 Impairment of investment securities

The unquoted equity securities where fair values are not readily available and are carried at cost less impairment, the recoverable amount of such investment is estimated to test for impairment. A significant portion of the Group’s unquoted equity securities comprise of investments in long-term real estate development projects. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

6.3 Impairment of receivables

The Group reviews its receivables at each reporting date to assess whether an impairment provision should be recorded in the consolidated financial statements. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes to the provisions.

6.4 Impairment of investment property

The impairment assessment of the investment property was based on determination of value in use of the cash generating unit principally using average of income capitalisation approach and cost approach. Income capitalisation approach was based on discounted cash flow projections by an external valuer based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the consolidated statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

7 CASH AND BANK BALANCES AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Note	***2020*** ***US$ 000***	*2019* *US$ 000*
Cash and bank balances		**36**	65
Wakala placements	7.1	**6,073**	16,356
Mudarabah investment	7.2	**5,305**	10,000
Murabaha investment	7.3	**2,653**	6,500
		14,067	32,856
Less: provision for expected credit loss		**(104)**	-
		13,963	32,856
Less: Placements with original maturities of 90 days or more		**(11,832)**	(27,826)
Cash and cash equivalents as at 31 December		**2,131**	5,030

7 CASH AND BANK BALANCES AND PLACEMENTS WITH FINANCIAL INSTITUTIONS (continued)

Movement in expected credit loss provision relating to placement with financial institutions is as follows:

	2020 US$ 000	*2019 US$ 000*
As at 31 December	**-**	-
Impact of adopting FAS 30 (note 5)	**80**	-
Balance on 1 January	**80**	-
Charge during the year	**24**	-
At 31 December	**104**	-

7.1 These are Wakala based accounts with maturities of less than one year and an average profit rate of 2.74% (2019: 3.18%).

7.2 This is a Mudarabah investment account maintained with locally incorporated banks with maturity of nine months and an average profit rate of 3.35% (2019: 3.5%).

7.3 This is a Murabaha investment maintained with a locally incorporated bank with maturity of six months and an average profit rate of 2.55% (2019: 3.25%).

8 INVESTMENT SECURITIES

	2020 US$ 000	*2019 US$ 000*
Marsa Al Seef Investment Company Limited ("Marsa")	**-**	33,422
Boulevard Al Areen Real Estate Development ("Al Areen")	**-**	8,102
Net carrying amount	**-**	41,524

These were unquoted equity securities classified as fair value through equity (FVTE). All these investments had underlying real estate development projects with participation from investors. The recoverable amount of these investments were determined by management based on valuations carried out by independent real estate experts.

In accordance with the shareholders' resolution dated 3 December 2019 and following CBB approval, the Group is in process of distributing its ownership in Marsa and Al Areen to the shareholders as a part of the Company's capital reduction at their carrying values of US$ 33,422 thousand and US$ 8,102 thousand respectively. Accordingly, these investments were derecognised by the Group during the year. The legal formalities relating to the transfer of the title of the investments are ongoing as of the date of approval of these consolidated financial statements. Also refer to note 13.

The Group also continues to own 4.45% (2019: 4.45%) shares in Gulf Holding Company ("GHC"). Based on management's assessment, as of 31 December 2020 and 31 December 2019, the fair value of this investment is determined to be nil.

9 INVESTMENT PROPERTY

Investment property comprised a portion of land with a building let out under operating leases. The movements in the carrying value of the investment property are as follows:

	2020	*2019*
	US$ 000	*US$ 000*
Cost:		
At 1 January	**65,252**	65,052
Disposals during the year	**(9)**	-
Additions during the year	**-**	200
At 31 December	**65,243**	65,252
Accumulated depreciation and impairment:		
At 1 January	**18,536**	17,024
Charge for the year	**945**	1,512
At 31 December	**19,481**	18,536
Net book value	**45,762**	46,716
Less: distribution to shareholders (refer note 13)	**(45,762)**	-
Net book value at 31 December	-	46,716

The fair value of the investment property at 31 December 2019 was US$ 46,760 thousand.

10 PROPERTY AND EQUIPMENT

	Land	***Building***	***Fixture and equipment***	***Furniture***	***Total 2020***	*Total 2019*
	US$ 000	***US$ 000***	***US$ 000***	***US$ 000***	***US$ 000***	*US$ 000*
Cost						
At 1 January	**1,009**	**2,507**	**10,514**	**1,368**	**15,398**	15,331
Additions	**-**	**-**	**390**	**-**	**390**	67
Distribution to shareholders (refer note 13)	**(1,009)**	**(2,507)**	**-**	**-**	**(3,516)**	-
	-	**-**	**10,904**	**1,368**	**12,272**	15,398
Depreciation						
At 1 January	**-**	**935**	**10,389**	**1,365**	**12,689**	12,530
Charge for the year	**-**	**273**	**104**	**-**	**377**	159
Distribution to shareholders (refer note 13)	**-**	**(1,208)**	**-**	**-**	**(1,208)**	-
	-	**-**	**10,493**	**1,365**	**11,858**	12,689
Net book value at 31 December	**-**	**-**	**411**	**3**	**414**	2,709

11 OTHER RECEIVABLES AND PREPAYMENTS

	2020	*2019*
	US$ 000	*US$ 000*
Receivable from tenants	**98**	421
Project costs recoverable	**1,196**	1,102
Management fee receivable	**2,470**	-
Other receivables and prepayments	**715**	1,029
	4,479	2,552
Less: provision for expected credit losses	**(3,578)**	(1,112)
Net receivables and prepayments	**901**	1,440

Movements in impairment provisions relating to receivables:

	2020	*2019*
	US$ 000	*US$ 000*
As at 31 December	**1,112**	5,200
Impact of adopting FAS 30 (note 5)	**320**	-
Restated balance on 1 January	**1,432**	5,200
Charge / (recovery) during the year - net	**2,179**	(4,088)
Write-off during the year	**(33)**	-
At 31 December	**3,578**	1,112

12 ACCRUALS AND OTHER LIABILITIES

	2020	*2019*
	US$ 000	*US$ 000*
Payable to a related party (refer note below)	**992**	-
Payable to investors	**271**	271
Security deposits	**33**	275
Employee related accruals	**150**	259
Unearned rental income	**39**	49
Other accruals and payables	**276**	247
	1,761	1,101

This amount represents amount payable to a related party towards rent and related income collected on their behalf. Refer note 18.

13 SHARE CAPITAL

	2020 US$ 000	2019 US$ 000
Authorised:		
50,000,000 ordinary shares of US$ 1 each (2019: 500,000,000 ordinary shares of US$ 1 each)	**50,000**	500,000
Issued and subscribed:		
13,144,324 ordinary shares of US$ 1 each (2019: 200,000,000 ordinary shares of US$ 1 each)	**13,144**	200,000
Paid up:		
13,144,324 ordinary shares of US$ 1 each (2019: 200,000,000 ordinary shares of US$ 1 each)	**13,144**	200,000

In the EGM held on 3 December 2019, the Company's shareholders resolved to reduce the Company's authorised share capital from US$ 500,000 thousand to US$ 50,000 thousand, and to reduce the issued and paid up capital from US$ 200,000 thousand to US$ 13,144 thousand. The Group's paid up share capital was reduced through the following distributions to the shareholders:

a) Cash of US$ 20,000 thousand by cancelling the Company's shares totalling 20,000,000, having face value US$ 1 each.

b) 41,422 shares owned by the Group in Marsa with a carrying value US$ 33,422 thousand towards cancellation of the Company's 33,422,200 shares of US$ 1 each (refer note 8).

c) 7,692,308 shares owned by the Group in Al Areen with a carrying value US$ 8,102 thousand towards cancellation of the Company's 8,101,501 shares of US$ 1 each (refer note 8).

d) Ownership of investment property and property and equipment with a net book value of US$ 48,071 thousand towards cancellation of the Company's 48,071,029 shares with a face value US$ 1 each (refer note 9).

Further:

(a) Accumulated losses of the Group of US$ 76,462 thousand, were written off by cancelling 76,461,807 of the Company's shares with a face value US$ 1 each.

(b) Voluntary reserve of US$ 799 thousand was created against the issued and paid up share capital.

14 INCOME FROM INVESTMENT PROPERTY

	2020 US$ 000	2019 US$ 000
Rental income	**1,938**	2,885
Utilities and service income	**554**	873
	2,492	3,758

15 STAFF COSTS

	2020 US$ 000	2019 US$ 000
Salaries and benefits	**656**	787
Redundancy costs	**3**	97
Indemnity expense	**47**	21
Social insurance expenses	**30**	42
Other staff expenses	**5**	4
	741	951

16 OTHER OPERATING EXPENSES

	2020	*2019*
	US$ 000	*US$ 000*
Amortisation of prepaid car park rent	**247**	531
Car park rent	**95**	-
Information technology and communication expenses	**84**	99
Other expenses	**141**	135
	567	765

17 ASSETS UNDER MANAGEMENT

The Group provides corporate administration, investment management and advisory services to its investor vehicles, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had the following assets under management:

		2020	*2019*
	Note	***US$ 000***	*US$ 000*
Marsa Al Seef Investment Company Limited ("Marsa")	8	**414,652**	373,230
Boulevard Al Areen Real Estate Development ("Al Areen")	8	**96,750**	76,750
GBCORP Tower Group Ltd.	17.1	**48,084**	-
Bank balances	17.2	**2,586**	-
		562,072	449,980

17.1 The investment property referred to in note 9 is transferred to GBCORP Tower Group Ltd., an entity ultimately owned by the Group's shareholders. GBCORP Tower Group Ltd has appointed the Group to act as the investment manager pursuant to an investment management agreement dated 30 December 2020.

17.2 The Group has withheld distribution to certain shareholders of US$ 2,586 thousand (2019: nil), pending resolution of certain legal and administrative matters, of which US$ 603 thousand was paid subsequent to the year end. The remaining balances are presently maintained in the name of the Group for the beneficial interest of the shareholders.

During the year, the Board of Directors of the Group resolved to reinstate the management fee charges with respect to the administration, investment management and advisory services provided to Marsa and Al Areen (together, the "Companies"), beginning in May 2020. However, the Group has agreed not to demand settlement of the management fee receivable until the Companies receive proceeds from any realisation or distribution of investments. This reinstated fee was US$ 2,350 thousand (2019: nil), which has been fully provided for.

Litigation relating to assets under management

As of the reporting date, there was a legal dispute on the underlying real estate properties of one of the investor vehicles managed by the Company (Al Areen) amounting to US$ 97,000 thousand (31 December 2019: US$ 97,000 thousand). Although the BDCR has rendered their judgment in favour of Al Areen, the method of recovery of the receivable, either through the Execution Court order (by way of auction) or through the out of court Settlement Proposal remains uncertain at the consolidated statement of financial position date.

17 ASSETS UNDER MANAGEMENT (continued)

Litigation relating to assets under management (continued)

Subsequent to the Al Areen's subscription period, the legal title of the subject real estate properties was not transferred to the project company by the project developer and other owners of the subject real estate properties (collectively "Property Owners"). In addition, there was no allocation of shares to Al Areen which could represent the subscription amount at the project company level. As a result, a legal dispute arose between Al Areen and the Property Owners which was referred to the Bahrain Chamber of Dispute Resolution ("BCDR"). On 19 January 2012, the BCDR rendered its judgment in favor of Al Areen. The BCDR’s judgment was presented to the Execution Court to recover the amounts awarded by the BCDR from the Property Owners.

During 2015, the execution of the BCDR judgment was put on hold, after obtaining required approvals of Al Areen's shareholders, in order to proceed with an out-of-court settlement (the Settlement Agreement) between Al Areen and the Property Owners. However, due to the failure of the Property Owners to execute their obligations in accordance with the Settlement Proposal, the execution as per the Execution Court was reinstated. However, during 2019, the option to revert to the Settlement Proposal once again became available, pending further discussion and resolution of issues up to the date of these financial statements. Although the Settlement Proposal was signed on 9 August 2020, wherein the Property Owners have agreed to transfer the legal title of the subject real estate properties to Al Areen, the matter of transfer is pending formalisation as of the date of approval of these consolidated financial statements. Accordingly, the method of recovery of the receivable, either through the Execution Court order (by way of auction) or through the out of court Settlement Proposal remains uncertain.

18 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors, Shari’a Supervisory Board members and executive management of the Group. Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The Group’s income from investment banking services is from entities over which the Group exercises influence. Although, the entity is considered a related party, the Group administers and manages the entity on behalf of its clients, who are third parties and are the economic beneficiaries of the underlying investment. The transactions with these entities are based on agreed terms in the private placement memorandum.

The significant related party balances and transactions (including compensation to key management personnel) included in these consolidated financial statements are as follows:

	As at 31 December 2020		
	Assets under management including SPEs US$ 000	*Shareholders / Auditors / Key management personnel US$ 000*	*Others US$ 000*
Assets			
Placements with financial institutions	**-**	**-**	**5,256**
Other receivables and prepayments	**723**	**-**	**4**
Liabilities			
Accruals and other liabilities	**1,270**	**179**	**-**

18 RELATED PARTY TRANSACTIONS (continued)

The significant related party balances and transactions (including compensation to key management personnel) included in these consolidated financial statements are as follows:

	As at 31 December 2019		
	Assets under management including SPEs US$ 000	*Shareholders / Auditors / Key management personnel US$ 000*	*Others US$ 000*
Assets			
Investment securities	41,524	-	-
Placements with financial institutions	-	-	10,150
Other receivables and prepayments	252	-	68
Liabilities			
Accruals and other liabilities	276	94	-

	2020 US$ 000	*2019 US$ 000*
Income		
Income from investment management services - net of ECL	**120**	-
Income from placements with financial institutions - others	**402**	402
Income from investment property - assets under management	**11**	10
	533	412
Expenses		
Staff costs - key management personnel	**375**	389
Board member fees - key management personnel	**179**	58
Board expenses - key management personnel	**-**	5
Shari'a fees - key management personnel	**7**	18
Audit fees - external auditor	**40**	48
	601	518

In addition, the assets under management disclosed in note 17 pertain to related parties.

19 SEGMENT INFORMATION

The activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant. As such, operating income, expenses, assets and liabilities are not segmented.

The Group has physical operations and offices solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

20 CLASSIFICATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

The Group's financial instruments have been classified in accordance with their measurement basis as follows:

	Amortised cost US$000	***Total US$000***
31 December 2020		
ASSETS		
Cash and bank balances and placements with financial institutions	**13,963**	**13,963**
Receivables	**790**	**790**
	14,753	**14,753**
LIABILITIES		
Accruals and other liabilities	**1,761**	**1,761**
	1,761	**1,761**

	FVTE US$000	*Amortised cost US$000*	*Total US$000*
31 December 2019			
ASSETS			
Cash and bank balances and placements with financial institutions	-	32,856	32,856
Investment securities	41,524	-	41,524
Receivables	-	411	411
	41,524	33,267	74,791
LIABILITIES			
Accruals and other liabilities	-	1,101	1,101
	-	1,101	1,101

21 RISK MANAGEMENT

Financial assets of the Group comprise cash and bank balances, placements with financial institutions, investments carried at FVTE, unquoted equity securities and other receivable balances. Financial liabilities of the Group comprise payable to related parties, payables to investors and other accruals and payables (2019: payables to investors and other accruals and payables).

The Group has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

a. Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. Credit risk arises principally from the Group's balances with banks, placements with financial institutions and other receivables. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

21 RISK MANAGEMENT (continued)

a. Credit risk (continued)

Exposure to credit risk
The carrying values of bank balances, placements with financial institutions and other receivables represent the maximum credit risk. The Group's credit risk on bank balances and placements with financial institutions is limited, as these are placed with locally incorporated banks having good credit ratings.

Impaired receivables
Impaired receivables are those for which the Group determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the receivables agreement(s). During the year, additional provision for impairment of US$ 2,410 has been provided on receivables (2019: Nil).

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 industry sector wise distribution of assets and liabilities are set out as follows:

Concentration risk - industry sector

31 December 2020	***Banks and financial institutions US$ 000***	***Real estate US$ 000***	***Others US$ 000***	***Total US$ 000***
Assets				
Cash and bank balances and placements with financial institutions	**13,963**	**-**	**-**	**13,963**
Property and equipment	**-**	**-**	**414**	**414**
Other receivables	**-**	**790**	**111**	**901**
Total assets	**13,963**	**790**	**525**	**15,278**
Liabilities				
Accruals and other liabilities	**-**	**1,263**	**498**	**1,761**
Total liabilities	**-**	**1,263**	**498**	**1,761**

31 December 2019	*Banks and financial institutions US$ 000*	*Real estate US$ 000*	*Others US$ 000*	*Total US$ 000*
Assets				
Cash and bank balances and placements with financial institutions	32,856	-	-	32,856
Investment securities	-	41,524	-	41,524
Investment property	-	46,716	-	46,716
Property and equipment	-	2,581	128	2,709
Other receivables	-	159	1,281	1,440
Total assets	32,856	90,980	1,409	125,245
Liabilities				
Accruals and other liabilities	-	271	830	1,101
Total liabilities	-	271	830	1,101

21 RISK MANAGEMENT (continued)

a. Credit risk (continued)

Concentration risk - geographic region

Concentration is measured based on the location of the underlying operating assets and not based on the location of the investments. The Group's concentration exposure as at 31 December 2020 and 2019 is limited to the Kingdom of Bahrain.

b. Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Board of Directors approves significant policies and strategies related to the management of liquidity. The management reviews the liquidity profile of the Group on a regular basis and any material change in the Group's current or prospective liquidity position is notified to the Board.

The management ensures that adequate funds are available to meet the maturing obligations and growth in assets while cost is minimised. The management ensures that all limits and guidelines set by the Board are complied with and any adverse development is reported to the Board. The management also obtains the exceptional approvals when required as per this policy and manages the Group's relationship with banks and financial institutions.

The table below shows the undiscounted cash flows on the Group's financial liabilities, including issued financial guarantee contracts, and unrecognised financing commitments on the basis of their earliest possible contractual maturity.

	Gross undiscounted cash flows						
	Up to 3 months	*3 to 6 months*	*6 months-1 year*	*1 to 3 years*	*Over 3 years*	*Total*	*Carrying amount*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
31 December 2020							
Financial liabilities	**1,342**	**7**	**308**	**104**	**-**	**1,761**	**1,761**
31 December 2019							
Financial liabilities	262	9	552	278	-	1,101	1,101

The table below shows the maturity profile of the Group's assets and liabilities and unrecognised commitments on the basis of their expected realisation / payment.

	Up to 3 months	***3 months to 6 months***	***6 months to 1 year***	***1 year to 3 years***	***Undated***	***Total***
31 December 2020	***US$ 000***	***US$ 000***	***US$ 000***	***US$ 000***	***US$ 000***	***US$ 000***
Assets						
Cash and bank balances and placements with financial institutions	**2,131**	**3,165**	**8,667**	**-**	**-**	**13,963**
Property and equipment	**-**	**-**	**-**	**-**	**414**	**414**
Receivables and prepayments	**821**	**2**	**78**	**-**	**-**	**901**
Total assets	**2,952**	**3,167**	**8,745**	**-**	**414**	**15,278**
Liabilities						
Accruals and other liabilities	**1,342**	**7**	**308**	**104**	**-**	**1,761**
Total liabilities	**1,342**	**7**	**308**	**104**	-	**1,761**

21 RISK MANAGEMENT (continued)

b. Liquidity risk (continued)

31 December 2019	*Up to 3 months* *US$ 000*	*3 months to 6 months* *US$ 000*	*6 months to 1 year* *US$ 000*	*1 year to 3 years* *US$ 000*	*Undated* *US$ 000*	*Total* *US$ 000*
Assets						
Cash and bank balances placements with financial institutions	6,357	26,499		-	-	32,856
Investment securities	-	-	-	-	41,524	41,524
Investment property	-	-	-	-	46,716	46,716
Property and equipment	-	-	-	-	2,709	2,709
Receivables and prepayments	592	453	395	-	-	1,440
Total assets	6,949	26,952	395	-	90,949	125,245
Liabilities						
Accruals and other liabilities	262	9	552	278	-	1,101
Total liabilities	262	9	552	278	-	1,101

c. Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income, future cash flows or the value of its holdings 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.

Exposure to profit rate risk

Profit rate risk arises due to differences in timing of repricing of the Group's assets and liabilities. The Group's profit rate sensitive assets are mainly placements with financial institutions. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The effective profit rate for the year was 3.50% (2019: 3.27%).

The following table demonstrates the sensitivity to reasonably possible change in profit rates, with all other variables held constant of the Group's consolidated statement of income. The sensitivity of the consolidated statement of income is the effect of the assumed changes in profit rates on the consolidated net income for the year, based on the placements with financial institutions held as at the date of consolidated statement of financial position.

	2020 ***US$ 000***	*2019* *US$ 000*
Placements with financial institutions (+1%)	**140**	328
Placements with financial institutions (-1%)	**(140)**	(328)

21 RISK MANAGEMENT (continued)

c. Market risk (continued)

Exposure to foreign exchange risk
Currency risk is the risk that the value of a financial instruments will fluctuate due to changes in foreign exchange rates. The Group's major exposure is in GCC currencies, which are primarily pegged to the US Dollars. The Group does not have significant net exposures denominated in other foreign currencies as at 31 December 2020 or 31 December 2019.

Exposure to equity price risk
Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the corresponding value of equity indices or the value of individual equity stocks. The Group's exposure to equity price risk is limited to its investments covered under note 8. The Group monitors these investment closely as part of its risk management.

d. Operational risk
Operational risk is the risk of loss arising from systems and control failures, fraud and human error, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, internal checks and balances.