Venture Capital Bank B.S.C. (c)

SHARI'A SUPERVISORY BOARD REPORT,
CHAIRMAN'S STATEMENT,
INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

Date: 18 April 2023

Shari’ah Supervisory Board Report

Of *Venture Capital Bank B.S.C ©*

On the audited Financial Statements for the year-ending June 30, 2022, In compliance with the terms of our letter of appointment, we are required to report as follows:

BANK PERFORMANCE

The Shari’ah Supervisory Board (“**SSB**”) was presented with all the investments, contracts and agreements that were conducted by Venture Capital Bank B.S.C © (“the **Bank**”) during the year ending June 30, 2022. The SSB reviewed the principles, contracts and agreements relating to all investments to issue an independent opinion on whether the Bank followed the principles of the Islamic Shari’ah, specific fatwas, and guidelines issued by the SSB.

Respective responsibility of the Bank's Management and the Shari’ah Supervisory Board

Where the Bank’s management is responsible for ensuring that its operations are carried out in compliance with SSB rulings. Whereas the duty of the SSB is to express an independent view on the Bank’s investments, contracts and agreements that were made by the Bank during the year-ending June 30, 2022.

In our opinion:

In general, the Bank’s contracts, transactions and deals for the year ending June 30, 2022, comply with the rules and principles of the Islamic Shari’ah. Allocation of profit, and the charging of losses relating to investment accounts, also comply with the rules and principles of the Islamic Shari’ah and as per the Accounting and Auditing Organization for Islamic Financial Institutions, with no earnings realized from non-Shari’ah compliant sources during the fiscal year.

Calculation of Zakat also complies with the rules and principles of the Islamic Shari’ah. The Zakat has been calculated in accordance with the Net Asset Method described in the Accounting and Auditing Organization for Islamic Financial Institutions (“**AAOIFI**”) standards. Payment of the Zakat allocation is the responsibility of the shareholders.

Regarding the Bank's investments, the Bank did not exit from any of the existing investments. The investments “Gulf One Capital, Goknur, IT works, Oba and Jafcco, have not as yet been converted to be in line with Shariah Principles, and were not exited as requested by the SSB in its resolutions.

We beseech the Almighty to grant us excellence and success.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh

Sh. Dr. Nedham Yaqoobi

Chairman

Sh. Dr Essa Zaki Essa

Member

VENTURE CAPITAL BANK

CHAIRMAN'S STATEMENT

In the Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace be upon our Prophet Mohammed, His Companions, and Relatives.

On behalf of the Board of Directors, I would like to present the annual report and consolidated financial statements of Venture Capital Bank (VCBank) for the fiscal year ended 30 June 2022.

The year presented numerous challenges in the operating environment with significant geopolitical shifts transforming the global economy and impacting investors regionally and worldwide, however the bank is well positioned to navigate these challenges and take advantage of any opportunities that it presents.

During FY 21-22, the equity of the bank continued to deteriorate due to operational expenses and valuation declines due to the COVID situation. The capital adequacy-related regulatory restrictions imposed by the CBB meant that no new investment banking transactions were conducted during the reporting period, with the Bank remaining focused on measures to reduce operating costs, strengthen its core-performing investments and generate favorable exits from non-core assets.

The Bank reported a loss of USD 3.19 million, (2021: USD 15.76 million) during the fiscal year 2022. Total revenue was USD 7.79 million compared to USD 5.03 million in prior period, while operating expenses including finance costs reduced to USD 8.58 million from USD 13.38 million in the previous year. In current period, the Bank recorded a fair value loss of USD 0.81 million compared to a fair value gain of USD 8.62

THROUGH PARTNERSHIP COMES GROWTH - THROUGH EXPERIENCE COMES STRENGTH

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million in the prior period; while impairment losses were lower at USD 1.4 million compared to USD 16.1 million in the previous year. The Bank's total assets during the period ended 30 June 2022 decreased to USD 50.48 million from USD 56.43 million predominantly due to exit of certain investments during the period. Total liabilities decreased to USD 47.97 million compared to USD 50.73 million in the prior period due to settlement of certain debts during the period. Shareholders' Equity stands at USD 2.51 million compared to USD 5.71 million in the previous year.

I am pleased to report that the acquisition of VCBank by Esterad Investment Company B.S.C ("Esterad") was approved by VCBank's board of directors at the Annual General Meeting held on April 21, pending Central Bank of Bahrain (CBB) and MOICT approvals. Esterad is a financially strong enterprise with a solid history and growth prospects and this transaction is set to provide VCBank shareholders with an exit solution and will allow for the restructuring of the bank and to bring it back to compliance with all applicable regulatory requirements.

Looking ahead, while we expect the macro-economic environment to remain extremely challenging, investors in the Middle East are well positioned to take advantage of opportunities that arise from the series of market shifts that have occurred. With a new management team and Esterad's partnership, the Board is optimistic that VCBank can recommence its investment banking activities, generate revenue and cash flow to return to profitability in 2023. The Board and Management will continue to work closely together on addressing all existing issues and future challenges, with the objective of re-establishing Venture Capital Bank as a soundly governed, leading regional financial institution.

In conclusion, on behalf of the Board of Directors, I extend my sincere thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, for their wise leadership and reform programme, and their encouragement for the Islamic banking sector. Grateful acknowledgements are also due to the Central Bank of Bahrain, the Ministry of Industry, Commerce & Tourism, and other Government institutions, for their continued professional advice and support during the period. I would also like to express my gratitude to our shareholders, clients and business partners for their enduring loyalty and confidence; and to our Shari'ah Supervisory Board for its ongoing guidance and supervision. I also pay special tribute to the Bank's management and staff for their highly valued dedication and professionalism in yet another extremely challenging year. May Allah guide us on the proper path and lead us to the realisation of our goals for the future success of the Bank.

Mohamed Duaij Khalifa Alkhalifa
Chairman of the Board of Directors
Date: 22 May 2023

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VENTURE CAPITAL BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Disclaimer of opinion

We were engaged to audit the accompanying consolidated financial statements of Venture Capital Bank B.S.C. (c) (the "Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 30 June 2022, and the related consolidated statements of income, changes in equity, cash flows and changes in off-balance sheet equity of investment account holders for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying consolidated financial statements.

In our opinion, the Group has complied with the Islamic Shari'a Principles and Rules as determined by the Shari'a Supervisory Board of the Group during the year ended 30 June 2022.

Basis for disclaimer of opinion

1. We draw attention to note 2 to the accompanying consolidated financial statements. As stated therein, during the year ended 30 June 2022 the Group incurred a net loss of US$ 3,198 thousand and, as of that date, the Group's total assets with maturities up to 12 months fall short of the Group's liabilities with similar maturity by US$ 14,458 thousand. The Group is also in certain regulatory breaches as explained in note 2 to the consolidated financial statements. Based on our judgement, these conditions, together with the potential effect of the matters described in paragraphs 2 to 8 below, indicate that the going concern assumption used in the preparation of the accompanying consolidated financial statements is not appropriate. The accompanying consolidated financial statements do not contain any adjustments that may be warranted if the Group was unable to continue as a going concern nor do they adequately describe the basis for the going concern assumption.

2. As disclosed in note 35, the Group manages, in a fiduciary capacity, certain investments. The Group was found to be non-compliant with certain regulatory requirements in relation to the admission of certain investors, as well as other fiduciary responsibilities. The Group is exposed to potential claims in relation to these matters for which no provision has been recognised in the consolidated financial statements. We were not provided with sufficient audit evidence to assess the amount and the timing of the settlement amounts of the potential claims. Consequently, we are unable to determine the adjustments that are potentially required to be recorded in the consolidated financial statements in relation to this matter.

3. As disclosed in note 11, as of 30 June 2022, the Group has a past due Wakala contract receivable of US$ 6,670 thousand, net of a 50% provision calculated by management. The Group has requested the counterparty to redeem the Wakala, but this has not occurred at the date of approval of the consolidated financial statements. In our judgement, an additional provision of US$ 6,670 thousand is required against the Wakala contract receivable.

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

Basis for disclaimer of opinion (continued)

4. As disclosed in note 17, the Group obtained funding of US$ 13,241 thousand as an unrestricted Wakala payable, related to the matter referred to in paragraph 3 above. The Group claimed that these two transactions were eligible to be netted off. This matter was referred to arbitration at the Bahrain Chamber for Dispute Resolution who, on 20 May 2021, issued a judgement based on which the Group has been ordered to pay US$ 13,391 thousand maturity proceeds, US$ 916 thousand late payment charges, a daily penalty charge from the date of the judgement to 30 June 2022 totaling to US$ 558 thousand and US$ 789 thousand of arbitration costs. The Group has not made the required accrual of US$ 2,263 thousand for the late payment charges, daily penalty charges and arbitration costs in the accompanying consolidated financial statements.

5. As disclosed in note 36, the Group has issued letters of guarantee to certain investment companies/projects. For one such letter of guarantee, the lender has initiated legal action against the investee company and have demanded validation of the corporate guarantees provided by various shareholders of the investee company, including the Group, from which material liabilities could arise. The Group's share of the potential liability arising from this letter of guarantee is US$ 16,116 thousand against which management has provided US$ 3,515 thousand as at 30 June 2022. We have been unable to obtain sufficient corroborative evidence to support the adequacy of management's provision of US$ 3,515 thousand. Additionally, the Group has not accounted for its share of a potential liability from another project company of US$ 113 thousand arising from final judgment subject to execution. Further, the Group has also not accounted for its share of a potential liability of US$ 1,962 thousand arising from legal claims.

6. The Group’s investments comprise of investments carried at fair value through equity of US$ 10,738 thousand for which we were unable to obtain sufficient corroborative evidence to support the internal valuation performed by management.

7. The Group extends financial support to certain project companies by funding their costs which are classified as project costs recoverable under other assets in the consolidated statement of financial position. During the year, the Group lowered the expected credit loss allowance against these exposures from 100% to 50%, the basis for which management was unable to substantiate. Consequently, in our view, as of 30 June 2022, the Group’s ECL against these project costs recoverable is inadequate by an amount of US$ 468 thousand.

8. As disclosed in note 23, the Group has signed a settlement agreement subsequent to year ended 30 June 2022 arising from a legal claim in which the Group has recognised income and receivables of US$ 1,086 thousand. Despite, the fact that the agreement has been signed subsequent to year end, the transaction was recognised during the year ended 30 June 2022. We were not able to obtain sufficient corroborative evidence to support the recognition nor the value of income and the relevant receivables in the current accounting period.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VENTURE CAPITAL BANK B.S.C. (c) (continued)

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

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our responsibility is to conduct an audit of the Company's consolidated financial statements in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and to issue an auditor's report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with 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 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on Other Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain ("CBB") Rule Book (Volume 2), with the exception of the matters referred to in the *Basis for disclaimer of opinion* section of our report, we report that:

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

b. the financial information contained in the Chairman's statement is consistent with the consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VENTURE CAPITAL BANK B.S.C. (c)

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

Except for the matters discussed in note 2 to the consolidated financial statements, and the matters referred to in paragraphs 1 and 2 of the *Basis for disclaimer of opinion* section of our report, 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 2 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association during the year ended 30 June 2022 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position. With the exception of the matters referred to in the *Basis for disclaimer of opinion* section of our report, satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst & Young

Partner's registration no.115
22 May 2023
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	***30 June 2022 USD '000***	*30 June 2021 USD '000*
ASSETS			
Balances with banks	7	**1,722**	282
Investments	8	**23,248**	35,014
Investment in an associate	9	**-**	301
Murabaha financing to investee companies	10	**-**	77
Wakala contract receivable	11	**6,670**	6,670
Receivables	12	**6,100**	2,974
Funding to project companies	13	**2,290**	2,490
Other assets	14	**2,725**	847
Right-of-use asset	15	**3,552**	3,154
Property and equipment	16	**4,176**	4,625
TOTAL ASSETS		**50,483**	56,434
LIABILITIES			
Islamic financing payable	17	**13,241**	13,241
Employee accruals		**757**	1,148
Ijarah liability	15	**3,743**	3,281
Other liabilities	18	**30,232**	33,056
Total liabilities		**47,973**	50,726
EQUITY			
Share capital	19	**190,000**	190,000
Statutory reserve	19	**5,859**	5,859
Investment fair value reserve		**262**	262
Accumulated losses		**(193,611)**	(190,413)
Total equity		**2,510**	5,708
TOTAL LIABILITIES AND EQUITY		**50,483**	56,434
OFF-BALANCE SHEET ITEMS			
Equity of investment account holders		**116**	136

Mohammed Duaij Al-Khalifa
Chairman

Robert C. Wages
Board Member

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 June 2022

	Note	***30 June 2022 USD '000***	*30 June 2021 USD '000*
REVENUE			
Income from investment banking services - net	20	**3,603**	960
Gain on sale of investment - net	21	**-**	106
Dividend income	22	**666**	794
Rental and other income	23	**3,529**	3,167
Total revenue		**7,798**	5,027
OTHER (LOSSES) / GAINS			
Fair value (losses) / gains on investments carried at fair value through income - net	24	**(806)**	8,624
		6,992	13,651
EXPENSES			
Staff costs	25	**2,827**	3,431
Legal and professional fees		**1,345**	1,493
Finance expense	26	**188**	4,450
Depreciation	15,16	**451**	451
Other expenses	28	**3,774**	3,554
Total expenses		**8,585**	13,379
(LOSS) / INCOME BEFORE IMPAIRMENT PROVISIONS AND SHARE OF (LOSS) / INCOME OF ASSOCIATES AND JOINT VENTURE		**(1,593)**	272
Impairment of investments	8,9	**(323)**	(4,381)
Provision for credit losses	27	**(890)**	(11,713)
Impairment of property and equipment	16	**(202)**	-
Share of (loss) / income of associates and joint venture - net	9	**(190)**	61
NET LOSS FOR THE YEAR		**(3,198)**	(15,761)

Mohammed Duaij Al-Khalifa
Chairman

Robert C. Wages
Board Member

The attached notes 1 to 39 form part of these consolidated financial statements.

Venture Capital Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Note	*Share capital USD '000*	*Statutory reserve USD '000*	*Investment fair value reserve USD '000*	*Foreign currency translation reserve USD '000*	*Accumulated losses USD '000*	*Total USD '000*
Balance at 1 July 2021	19	190,000	5,859	262	-	(190,413)	5,708
Net loss for the year		-	-	-	-	(3,198)	(3,198)
Balance at 30 June 2022		**190,000**	**5,859**	**262**	**-**	**(193,611)**	**2,510**
Balance at 1 July 2020	19	190,000	5,859	-	(167)	(174,652)	21,040
Net loss for the year		-	-	-	-	(15,761)	(15,761)
Movement in equity-type investments at fair value through equity		-	-	262	-	-	262
Foreign currency translation difference on investment in an associate		-	-	-	167	-	167
Balance at 30 June 2021		190,000	5,859	262	-	(190,413)	5,708

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	***30 June 2022 USD '000***	*30 June 2021 USD '000*
OPERATING ACTIVITIES			
Net loss for the year		**(3,198)**	(15,761)
Adjustments for:			
Impairment of investments	8,9	**323**	4,381
Provision for credit losses	27	**890**	11,713
Impairment of property and equipment	16	**202**	-
Share of loss / (income) of associates and joint venture - net	9	**190**	(61)
Fair value losses / (gains) on investments carried at fair value through income - net	24	**806**	(8,624)
Gain on sale of investment	21	**-**	(106)
Depreciation	15,16	**451**	451
Finance cost on right-of-use asset	15	**171**	161
Dividend income	22	**(666)**	(794)
Operating losses before changes in operating assets and liabilities		**(831)**	(8,640)
Changes in operating assets and liabilities:			
Investments		**1,928**	(19,697)
Investment in associates and joint venture accounted under equity method		**-**	14,454
Receivables		**(2,784)**	420
Funding to project companies		**206**	670
Right-of-use asset	15	**(538)**	-
Property and equipment	16	**(64)**	-
Other assets		**(2,423)**	9,254
Proceeds from sale of investments		**9,486**	2,129
Employee accruals		**(391)**	352
Islamic financing payable		**-**	(4,973)
Ijarah liability	15	**538**	-
Other liabilities		**(2,337)**	5,257
Net cash from / (used in) operating activities		**2,790**	(774)
FINANCING ACTIVITIES			
Murabaha financing to investee companies		**(1,100)**	346
Rent paid towards right-of-use asset	15	**(247)**	(225)
Net cash (used in) / from financing activities		**(1,347)**	121
Investment fair value reserve		**-**	262
Foreign currency translation adjustments		**-**	167
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,443**	(224)
Cash and cash equivalents at beginning of the year	27	**282**	505
ECL (charged) / reversed on balances with banks	27	**(3)**	1
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,722**	282
Cash and cash equivalents per the consolidated statement of financial position			
Balances with banks	7	**1,722**	282

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNT HOLDERS

For the year ended 30 June 2022

30 June 2022		***Movements during the year***		
	Balance as at 1 July 2021 USD '000	***Fair value movement / (impairment) USD '000***	***Other loss USD '000***	***Balance as at 30 June 2022 USD '000***
GCC Pre IPO Fund	**136**	**(20)**	**-**	**116**

	30 June 2022 USD '000
Investment in equities	**72**
Receivables	**44**
Balances with banks	**-**
Total	**116**

30 June 2021		*Movements during the year*		
	Balance as at 1 July 2020 USD '000	*Fair value movement / (impairment) USD '000*	*Other loss USD '000*	*Balance as at 30 June 2021 USD '000*
GCC Pre IPO Fund	1,118	56	(1,038)	136

	30 June 2021 USD '000
Investment in equities	92
Receivables	42
Balances with banks	2
Total	136

The GCC Pre-IPO Fund targets investments in selected GCC equities in the pre-IPO stage with the primary objective of benefiting from the potential market gains expected to arise from their IPOs. The investments are legally owned by the Group for the beneficial interest of RIA. Investors nominate the specific equities they wish to participate in from a pool of GCC Pre-IPO equities, specifying the amounts in each, and receive all returns less the Bank's fee of 20% over a 10% simple return.

1 INCORPORATION AND ACTIVITIES

Incorporation

Venture Capital Bank B.S.C. (c) (“the Bank”) was incorporated in the Kingdom of Bahrain on 26 September 2005 as a closed shareholding company under commercial registration (CR) number 58222 issued by the Ministry of Industry, Commerce and Tourism. The Bank is licensed as a wholesale Islamic bank by the Central Bank of Bahrain (“CBB”) and is subject to the regulations and supervision of the CBB. The Bank's registered office is Building 247, Road 1704, Block 317, Diplomatic Area, Manama, Kingdom of Bahrain.

Activities

The principal activities of the Bank comprise venture capital, real estate and private equity investment transactions and related investment advisory services. The Bank conducts all its activities in compliance with Islamic Shari’ah under the guidance and supervision of the Bank’s Shari’ah Supervisory Board, and in compliance with applicable laws and regulations.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary companies (collectively, “the Group”). The details of the Bank's subsidiaries are disclosed in note 3.3.

These consolidated financial statements were approved by the Bank's Board of Directors on 11 May 2023.

2 FUNDAMENTAL ACCOUNTING ASSUMPTION

The Group incurred a net loss of USD 3,198 thousand (30 June 2021: net loss of USD 15,761 thousand) during the year ended 30 June 2022, and as of that date, the Group's total liabilities with maturity up to 12 months exceeded its total assets with the same maturity representing a net liquidity gap of USD 14,458 thousand (30 June 2021: USD 20,705 thousand). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As at 30 June 2020, the Group's accumulated losses exceeded 50% of its share capital. The Bahrain Commercial Companies Law ("BCCL") requires that where accumulated losses exceed 50% of paid-up capital, the directors should call for an Extraordinary General Meeting ("EGM") at which the shareholders are required to resolve whether to continue with the operations of the Group or to dissolve it before the expiry of its term. In order to address these requirements, the Group had taken the following actions:

- On 21 April 2022, an EGM was held where it was resolved to adjust Group's capital against its accumulated losses where share capital was proposed to be reduced by USD 189,995 thousand after writing off accumulated losses of USD 190,413 thousand and reducing statutory reserve by USD 418 thousand. Additionally, the EGM also resolved to introduce a strategic investor, Esterad Investment Company B.S.C(c), as a new shareholder with a contribution of USD 1 million as paid-up capital and acquiring 99.50% ownership of the Group. On 7 November 2022, the capital reduction and introduction of the new shareholder was approved by the MOICT.

On 20 May 2021, the Bank received a final award issued by the arbitral tribunal related to an arbitration case with a local bank related to short-term Wakala Islamic financing which required the Bank to pay the maturity proceeds of USD 13,391 thousand along with late payment charges of USD 916 thousand, arbitration costs of USD 789 thousand and a daily penalty of USD 1,375 from the date of the judgement.

On 19 September 2022, the Bank entered into a settlement agreement with the above creditor to restructure it’s obligations. The agreement is however subject to certain conditions precedent which the Bank is currently working on fulfilling.

2 FUNDAMENTAL ACCOUNTING ASSUMPTION (continued)

The Bank had issued a letter of guarantee to a certain investment company/project valued at 130% of the Bank's share in the company's outstanding obligation (including principal and accrued profits) of USD 16,116 thousand (30 June 2021: USD 15,232 thousand). In addition to the corporate guarantees, the investee company has also pledged its primary asset to the lender against these obligations. While the depreciated cost of the asset exceeds the outstanding obligation of the investee company, the fair value of the asset is difficult to ascertain due to the operations of the investee company being on halt due to current economic conditions. Management is working on several strategic options to revive the company's operations in order to enhance the value of the company and its assets. An independent valuation of the operations was performed as of 30 September 2022, which showed a increase in valuation as compared to the earlier valuations. As a result, the Bank continues to maintain an ECL of USD 3,515 thousand considering the net exposure of the Bank to the company's obligations after accounting for the independent value of the company's operations.

The approval from MOICT followed by the acquisition by a strategic investor will enable the Group to continue as a going concern and to settle its obligations to third parties as and when they fall due. Additionally, the shareholders do not have any intention to liquidate the Bank, and these consolidated financial statements have been prepared on a going concern basis. In the event of a distress sale of the Group's assets, their net realisable value might not approximate their fair value as at 30 June 2022.

Regulatory non-compliance

The Bank did not comply with the following CBB requirements during the year ended 30 June 2022:

- Total shareholders' equity amounted to USD 2,510 thousand, which is below the minimum of USD 100 million required for Bahraini Islamic Wholesale bank licensees as prescribed under LR-2.5.2B of Volume 2 of the CBB rule book.
- Total CAR of 0.64%, which is in breach of the minimum requirement of 12.5% as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.
- Tier 1 and CET1 CAR of 0.25%, which is in breach of the minimum requirement of 10.5% as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.
- NSFR of 5%, which is in breach of the minimum requirement of 100% as prescribed under LM-12.3.1 of Volume 2 of the CBB rule book.
- LCR of 0%, which is in breach of the minimum requirement of 100% as prescribed under LM-11.1.4 of Volume 2 of the CBB rule book.

The above disclosures are based on the consolidated prudential information report for Islamic banks prepared by the Group's management as of the date of these consolidated financial statements.

Due to breach in CBB’s capital adequacy requirements, the CBB has imposed certain restrictions on the Bank’s investment banking activities where the Bank is prohibited from undertaking any new investment exposure without CBB’s prior approval. While the CBB continues to closely monitor the Bank’s overall operations, these restrictions do not apply to the bank’s existing banking activities and exposures. The Bank has initiated various actions, including increasing capital, exit from existing investments and re-licensing the Bank in order to regain compliance and restart new business activity.

As of the date of these consolidated financial statements, there were restrictions imposed on the Bank's balances with banks resulting from a pending legal case. The management is actively working on having these restrictions removed. Due to restrictions imposed on the Group's accounts with banks, the Group uses the bank accounts of its wholly owned subsidiaries to hold and route funds related to its own operations. As of November 2022, these restrictions were lifted.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

3.1 Basis of preparation

The annual consolidated financial statements for the year ended 30 June 2022 have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the Shari'ah rules and principles as determined by the Shari'ah Supervisory Board of the Group, and in conformity with the Bahrain Commercial Companies Law, Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives and the terms of the Bank's articles of association. In accordance with the requirements of AAOIFI, for matters which are not covered by AAOIFI standards, the Group uses relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") in which it does not conflict with the Shari'ah Rules and Principles and the conceptual framework of AAOIFI.

3.2 Accounting convention

The consolidated financial statements have been prepared under the historical cost convention as modified for the remeasurement at fair value of investment securities, and are presented in United States Dollars (USD) which is the functional currency of the Group. All values are rounded off to the nearest thousand (USD '000) unless otherwise indicated.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries as at 30 June each year. A subsidiary is an entity that the Group has the power to control so as to obtain economic benefits and therefore excludes those held in a fiduciary capacity. The financial statements of the subsidiaries are prepared using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal as appropriate.

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

Non-controlling interests, if any, represents the portion of net income and net assets not held, directly or indirectly by the Group and are presented separately in the consolidated statement of income and within owners' equity in the consolidated statement of financial position, separately from the equity attributable to shareholders of the parent.

There is no change in the percentage holding of these subsidiaries during the year. Key subsidiaries of the Group which are consolidated are as follows:

Name of subsidiary	Year of incorporation	% holding	Country of incorporation	Principal activities
Gulf Projects Company W.L.L.	1998	100%	Kingdom of Bahrain	To own an interest in and operate the Venture Capital Bank Building.
The Lounge Serviced Offices Company W.L.L.	2007	100%	Kingdom of Bahrain	To own, operate and manage serviced offices in Bahrain and regionally.
GMCB Co. W.L.L. *	2008	54.06%	Kingdom of Bahrain	To invest in a medical facility in the Kingdom of Bahrain. The Group achieved control of the entity in June 2018.
VCB Investment Advisors LTD	2006	100%	Cayman Island	A special purpose vehicle incorporated in Cayman Island for collection of management fees - Dormant entity

* The Group's investment in GMCB Co. W.L.L. is not consolidated on a line by line basis as control is deemed to be temporary in nature since GMCB Co. W.L.L. is in the process of liquidation.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

The unconsolidated subsidiary classified under Investments held for sale carrying value has been reduced to nil as at 30 June 2022.

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.

3.4 New and amended standards and interpretations issued and effective

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the preparation of the Group's annual audited consolidated financial statements for the year ended 30 June 2021 except for the adoption of the below standards effective as of 1 July 2021.

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

This standard intends to define 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 for accounting periods beginning on or after 1 January 2021. Adoption of the above standard did not have any impact on the consolidated financial statements of the Group for the year ended 30 June 2022.

FAS 33 Investment in sukuk, shares and similar instruments

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

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

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

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

Classification

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

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

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

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.4 New and amended standards and interpretations issued and effective (continued)

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

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

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

Subsequent measurement

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

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

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

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

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

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 for accounting periods beginning on or after 1 January 2021. Adoption of the above standard did not have any impact on the consolidated financial statements of the Group for the year ended 30 June 2022.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.5 New and amended standards and interpretations issued but not yet effective

The Group's management is currently assessing the impact of the below new accounting standards on the Group's consolidated financial statements. The following new standards and interpretations issued but not yet effective as of 30 June 2022.

FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements

AAOIFI has issued revised FAS 1 in 2021. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet asset assets under management and other comprehensive income to enhance the information provided to the user of the financial statements. The standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

FAS 37 Financial Reporting by Waqf Institutions

AAOIFI issued FAS 37 “Financial Reporting by Waqf Institutions” in 2020. The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari’ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

FAS 38 Wa’ad, Khiyar and Tahawwut

AAOIFI issued FAS 38 “Wa’ad, Khiyar and Tahawwut” in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari’ah compliant Wa’ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

FAS 39 - Financial Reporting for Zakah

AAOIFI has issued FA 39 in 2021. This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standards shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders as relevant. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

FAS 40 - Financial Reporting for Islamic Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services Offered by Conventional Financial Institutions". This standard shall be effective for the financial periods beginning on or after 1 January 2024.

FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.5 New and amended standards and interpretations issued but not yet effective (continued)

FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions (continued)
This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Insurance Companies and introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;

b) the presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF));

c) the PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;

d) statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;

e) disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and

f) new definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

FAS 43 Accounting for Takaful Recognition and Measurement
This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Insurance Companies; FAS 15 – Provisions and Reserves in Islamic Insurance Companies and FAS 19 – Contributions in Islamic Insurance Companies.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The most significant judgements and estimates are discussed below:

Going concern assessment
As of 30 June 2022, the Group's bank balances amounted to USD 1,722 thousand and there was a short-term maturity mismatch (current liabilities in excess of current assets) of USD 14,458 thousand (30 June 2021: USD 20,705 thousand).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Going concern assessment (continued)

The Bank plans to exit most of its legacy investment assets, some of which are in advanced stages of negotiation and execution with potential buyers. Management expects these exits to generate sufficient liquidity in the short term to cover ongoing operating costs and provide funding to support its restructuring plan and meet its near-term obligations.

Additionally, management is in advanced stages of discussions with the regulator on the Bank's restructuring plan in order to address existing regulatory concerns and better position itself for recovery and stability. As part of its restructuring efforts, management is in the process of formulating a strategic business plan which will provide a clear path for the business' long term growth and sustainability.

Management is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the consolidated financial statements continue to be prepared on a going concern basis. In the event of a distress sale of the Group's assets, their net realisable value might not approximate their fair value as at 30 June 2022.

Classification of investments

Management decides whether an acquisition of a financial asset should be classified as an "equity-type investment at fair value through income" or "equity-type investment at fair value through equity". The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, such as the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as country risk, liquidity discounts, etc. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The details of estimates and related sensitivity analysis are disclosed in notes 37 and 38.

Impairment on assets carried at amortised cost

Judgement by management is required in the estimation of the amount and timing of future cash flows when determining impairment losses. In estimating these cash flows, the Group makes judgements about the liquidity of the project, evidence of deterioration in the financial health of the project, impacts of delays in completion of the project and the net realisable value of any underlying assets. These estimates are based on assumptions about a number of factors, and actual results may differ, resulting in future changes to the allowance.

Impairment of equity-type investments at fair value through equity

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

Consolidation of special purpose entities (SPEs)

The Group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments. The Group provides nominee, 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, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group's intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 consolidated financial statements are presented in USD, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the consolidated statement of financial position date. 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 transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and the differences are included in equity as part of the fair value adjustment of the respective items. Fair value differences arising from investments in associates denominated in a foreign currency are taken to "foreign currency translation reserve" forming part of equity.

(iii) Group companies

The Group does not have significant investments in foreign operations with functional currencies different from the presentation currency of the Group. The functional currency of the majority of the Group's entities are either USD or currencies which are effectively pegged to the USD, and hence, the translation of the financial statements of Group entities that have a functional currency different from the presentation currency do not result in significant exchange differences.

(b) Financial assets and liabilities

(i) Recognition and de-recognition

Financial assets of the Group comprise of cash and balances with banks, investments (other than associates and joint venture that are equity accounted), receivable from investment banking services, funding to project companies and other assets. Financial liabilities of the Group comprise of Islamic financing payables, employee accruals and other liabilities. All financial assets (except investment securities) and financial liabilities are recognised on the date at which they are originated. Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value which is the value of the consideration given (in the case of an asset) or received (in the case of a liability).

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

(i) the right to receive cash flows from the asset has expired;

(ii) 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; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial assets and liabilities (continued)

(i) Recognition and de-recognition (continued)
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(ii) Classification of financial assets and liabilities
The Group classifies financial assets under the following categories: financial assets at fair value through income, receivables at amortised cost or financial assets at fair value through equity. All of the financial liabilities of the Group are classified at amortised cost. Management determines the classification of its financial instruments at initial recognition.

(iii) Fair value measurement
When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analysis and other valuation models with accepted economic methodologies for pricing financial instruments.

(iv) *Amortised cost*
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 method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

(c) Investments
The Group classifies its investments, excluding investment in subsidiaries and equity accounted associates and joint ventures, in the following categories: equity-type investment at fair value through income and equity-type investments at fair value through equity.

(i) Classification
The Group shall classify equity-type investments at either (i) fair value through equity or (ii) fair value through income, on the basis of both the Group's business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

An investment is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking which include investments in quoted equities. An investment held-for-trading shall always fall in fair value through income classification.

The Group designates equity-type investments at fair value through income at inception only when it is managed, evaluated and reported internally on a fair value basis. These include certain private equity investments, including investments in certain associates and joint ventures. These investments are fair valued through income unless the Group makes an irrevocable classification choice at initial recognition to classify this as an investment at fair value through equity.

(ii) Initial recognition
All investment shall be initially recognised at their value plus transaction costs except for equity-type investments at fair value through profit and loss. Transaction costs relating to equity-type investments at fair value through income are charged to the consolidated statement of income when incurred.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

(ii) Initial recognition (continued)

Equity instruments are carried as investment at fair value through income unless the Group makes an irrevocable classification choice at initial recognition to classify them as investment at fair value through equity.

(iii) Subsequent measurement

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

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

(iv) Fair value measurement principles

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

The determination of fair value of investments depends on the accounting policy as set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to quoted market bid prices prevailing on the statement of financial position date;

(ii) For investments in unit funds, fair value is determined based on the latest net asset value as of the reporting date provided by the fund manager; and

(iii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

For certain investments, the Group uses proprietary models, which usually are developed from recognised valuation models for fair valuation. Some or all of the inputs into these models may not be market observable, but are based on various estimates and assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Valuation adjustments are recorded to allow for bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state the values of these investments.

(d) Impairment assessment

(i) Financial contracts

Financial contracts consist of balances with banks, Murabaha financing to investee companies, wakala contract receivable, receivables, funding to project companies, certain other assets and contingencies and commitments. Balances relating to these contracts are stated net of allowance for credit losses.

(ii) Impairment of financial assets

The Group applies three-stage approach to measure ECL on financial assets subject to credit risk. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment assessment (continued)

(ii) Impairment of financial assets (continued)

Stage 1: Twelve months ECL
For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that results from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract. The parameters in the loss ratios matrix are generally derived from internally developed models and other historical data and range from 0.25% for balances with banks of good standing to 15% for funding to investees which are assessed to fall under stage 2.

Stage 3: Lifetime ECL – credit impaired
Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract.

In cases where there is no collateral or guarantees which the Group can use to recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets subject to credit risk are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL
The Group has developed an ECL Policy and measurement approach that appropriately reflects its credit exposures keeping in mind the nature of its exposures which are primarily to its own investees.

Given that the Group is not in the business of extending loans and financing, the Group's ECL provisioning approach is based on a detailed evaluation of all its individual exposures together with a provisioning matrix reflecting the expected credit losses for non-impaired exposures using the practical expedient under FAS 30.

The parameters in the loss ratios matrix are generally derived from internally developed models and other historical data and range from 0.25% for balances with banks of good standing to 15% for funding to investees which are assessed to fall under stage 2.

Definition of default
The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than the expected due date of settlement to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on other obligations of the same or closely connected counterparty to the Group.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment assessment (continued)

(ii) Impairment of financial assets (continued)

Probability of default ("PD")

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’.

Incorporation of forward - looking information

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category and subject to specific impairment provision). As per the policy, the methodologies and assumptions involved, including any forecasts of future economic conditions, and the resultant ECL provision matrix are required to be reviewed periodically.

Loss Given Default ("LGD")

LGD is used to determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

Exposure At Default ("EAD")

EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the off-balance sheet exposure. In absence of internal data, the Group uses Basel CCF's for Capital Adequacy Ratio (CAR) purposes as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group groups its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant increase in credit risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment including forward-looking information.

The assessment is carried out for specific instrument rather than a counterparty, as each instrument may have a different credit risk at initial recognition.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment in associates accounted under the equity method

The Group’s investment in its associates, being entities in which the Group has significant influence, are accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group’s share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group’s share of profit or loss of associates is shown on the face of the consolidated statement of income. This is the profit or loss attributable to equity holders of the associates and, therefore, is profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate is prepared for the reporting period ending on 31 December. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the investment and proceeds from disposal is recognised in the consolidated statement of income.

(f) Investment in joint venture accounted under the equity method

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. The Group’s investments in its joint venture are accounted for using the equity method on the face of the consolidated statement of income in 'Share of loss of associates and joint venture'.

The Group has an interest in a joint venture whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

Adjustments are made in the Group’s consolidated financial statements to eliminate the Group’s share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate and accounted under the equity method.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with banks.

(h) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method to write-off the cost of the assets over the following estimated useful lives. Land is not depreciated. Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Building	40 years
Office equipment	4 years
Furniture and fixtures	5 years
Motor vehicles	4 years

(i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

(j) Islamic financing payable

Islamic financing payables are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit rate method. Finance expense is recognised in the consolidated statement of income on a time-apportioned basis at the effective profit rate.

(k) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment, when a payment under the guarantee has become probable. The Group only issues financial guarantees to support its development projects and investee entities.

(l) Dividends

Dividends to shareholders are recognised as liabilities in the period in which they are approved by the shareholders at the Bank's Annual General Meeting.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share capital and statutory reserve

Share capital
Ordinary shares issued by the Bank 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. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Statutory reserve
The Bahrain Commercial Companies Law 2001 requires that 10 per cent of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 per cent of the paid up share capital.

(n) 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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Investment advisory and structuring income
Investment advisory and structuring income is recognised when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group.

(ii) Fee income
Fee income is recognised when earned and the related services are performed and / or upon achieving required performance.

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

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

(v) Rental income
Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the operating lease contract.

(o) Off-balance sheet equity of investment account holders
Off-balance sheet equity of investment account holders represent assets acquired using funds provided by holders of restricted investment accounts and managed by the Group as an investment manager based on a mudaraba contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(p) 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organization (SIO) scheme, which is a “defined contribution scheme” in nature, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in the consolidated statement of income. The Bank's obligations are limited to these contributions, which are expensed when due.

Employees are also entitled to leaving indemnities payable based on length of service and final remuneration. Provision for this unfunded commitment, which is a “defined benefit scheme” in nature, has been made by calculating the notional liability had all employees left at the date of the statement of financial position. Any increase or decrease in the benefit obligation is recognised in the consolidated statement of income.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated statement of income net, of any reimbursement.

(r) Segment reporting

The Group primarily operates as an investment bank and its lines of business comprise venture capital, private equity and real estate. At present the Group’s revenue is reviewed by lines of business and the expenses and results are reviewed at a Group level and therefore no separate operating segment results and other disclosures are provided in these consolidated financial statements.

(s) Zakah

In the absence of appointment of the Bank to pay Zakah on behalf of the shareholders, the responsibility of payment of Zakah is on individual shareholders of the Group. Zakah per share amount is presented in note 30.

(t) Offsetting financial instruments

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 or religious right (based on Shari'a) to set off the recognised amounts and the Group intends to settle on a net basis.

(u) Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

6 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's financial instruments have been classified as follows:

At 30 June 2022

	Equity-type at fair value through income USD '000	*Equity-type at fair value through equity USD '000*	*Amortised cost USD '000*	*Total USD '000*
ASSETS				
Balances with banks	**-**	**-**	**1,722**	**1,722**
Investments	**10,734**	**12,514**	**-**	**23,248**
Wakala contract receivable	**-**	**-**	**6,670**	**6,670**
Receivables	**-**	**-**	**6,100**	**6,100**
Funding to project companies	**-**	**-**	**2,290**	**2,290**
Other assets	**-**	**-**	**2,580**	**2,580**
TOTAL FINANCIAL ASSETS	**10,734**	**12,514**	**19,362**	**42,610**
LIABILITIES				
Islamic financing payable	**-**	**-**	**13,241**	**13,241**
Other liabilities	**-**	**-**	**13,921**	**13,921**
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**27,162**	**27,162**
OFF BALANCE SHEET ITEMS				
Equity of investment account holders	**-**	**72**	**44**	**116**

At 30 June 2021

	Equity-type at fair value through income USD '000	*Equity-type at fair value through equity USD '000*	*Amortised cost USD '000*	*Total USD '000*
ASSETS				
Balances with banks	-	-	282	282
Investments	21,630	13,384	-	35,014
Murabaha financing to investee companies	-	-	77	77
Wakala contract receivable	-	-	6,670	6,670
Receivables	-	-	2,974	2,974
Funding to project companies	-	-	2,490	2,490
Other assets	-	-	710	710
TOTAL FINANCIAL ASSETS	21,630	13,384	13,203	48,217
LIABILITIES				
Islamic financing payable	-	-	13,241	13,241
Other liabilities	-	-	15,678	15,678
TOTAL FINANCIAL LIABILITIES	-	-	28,919	28,919
OFF BALANCE SHEET ITEMS				
Equity of investment account holders	-	92	44	136

7 BALANCES WITH BANKS

	30 June 2022 USD '000	*30 June 2021 USD '000*
Balances in current and call accounts	**1,883**	440
Less: ECL provision	**(161)**	(158)
	1,722	282

As at 30 June 2022, there were restrictions imposed on the Bank's balances with banks resulting from a pending legal case. The management is actively working on having these restrictions removed. Due to restrictions imposed on the Group's accounts with banks, the Group uses the bank accounts of its wholly owned subsidiaries to hold and route funds related to its own operations. These restrictions were subsequently lifted in November 2022.

8 INVESTMENTS

	30 June 2022 USD '000	*30 June 2021 USD '000*
Equity-type Investments at fair value through income		
Quoted equities held for trading	**22**	9
Unquoted:		
Equities	**10,712**	21,621
	10,734	21,630

	30 June 2022 USD '000	*30 June 2021 USD '000*
Equity-type Investments at fair value through equity		
Unquoted equities	**19,089**	25,733
Mudaraba	**9,369**	9,356
Short term liquidity certificates	**890**	570
	29,348	35,659
Less: impairment provision	**(16,834)**	(22,275)
	12,514	13,384
Total investments - net	**23,248**	35,014

Short term liquidity certificates comprise Shari'a compliant asset backed certificates for which the carrying value approximates fair value.

The Mudaraba represents the Group's USD 10,000 thousand interest in the assets of a trust established as part of the restructuring agreement signed on 30 June 2021. The Group transferred USD 10,000 thousand in additional assets to the trust to provide first-loss protection against any devaluation in other investments transferred to the trust as part of the settlement. The Group maintains an impairment of USD 631 thousand representing devaluation in the transferred assets. As part of the restructuring agreement the trust has a put option to oblige the Group to purchase the investments at fair value on settlement date.

8 INVESTMENTS (continued)

The table below illustrates the movement in impairment provision during the year:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Provisions at the beginning of the year	**(22,275)**	(41,172)
Sale of investments	**5,653**	23,278
Impairment charged	**(212)**	(4,381)
Provisions at the end of the year	**(16,834)**	(22,275)

The unquoted equity-type investments and short term liquidity certificates comprise investments in the following market segments:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Real estate projects	**3,145**	4,028
Private equity	**20,081**	30,977
	23,226	35,005

The Group plans to dispose of unquoted equity investments through trade sales over a 3 to 5 year horizon.

9 INVESTMENT IN AN ASSOCIATE

The Group has invested in the associate company mentioned below, which is accounted under the equity method as at 30 June:

			% holding	
Name of associate	***Nature of business***	***Country of incorporation***	***30 June 2022***	*30 June 2021*
Venture Capital Fund Bahrain	Small & medium enterprises investment fund	Kingdom of Bahrain	**30**	30

The carrying value comprises:	***30 June 2022 USD '000***	*30 June 2021 USD '000*
Investment in an Associate	**-**	301
	-	301

During the year, movements in the Groups investment in an associate accounted under the equity method are as follows:

	30 June 2022 USD '000	*30 June 2021 USD '000*
At 1 July	**301**	14,656
Sale of investments	**-**	(14,416)
Impairment recognised	**(111)**	-
Share of (loss) / income of associates and joint venture - net	**(190)**	61
At 30 June	**-**	301

9 INVESTMENT IN AN ASSOCIATE (continued)

	30 June 2022 USD '000	*30 June 2021 USD '000*
Gross investment		
Associate	**2,111**	2,111
Less:		
Impairment provision	**(985)**	(874)
Share of loss of associates and joint venture - net	**(1,126)**	(936)
Net investment	**-**	301

The table below illustrates the movement in impairment provision during the year:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Provision at the beginning of the year	**(874)**	(12,579)
Sale of investments	**-**	11,705
Impairment charged	**(111)**	-
Provision at the end of the year	**(985)**	(874)

Summarised financial information for the Groups investment in an associate accounted under the equity method is as follows:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Total assets	**698**	1,219
Total liabilities	**328**	203
Total revenues for the year	**39**	5

The total assets, liabilities and revenues of the associate is based on unaudited management accounts as of 30 June 2022 and 2021.

10 MURABAHA FINANCING TO INVESTEE COMPANIES

	30 June 2022 USD '000	*30 June 2021 USD '000*
Financing to investee companies in the following sectors:		
Manufacturing	**2,091**	914
United Kingdom real estate	**359**	436
	2,450	1,350
Less: ECL provision	**(2,450)**	(1,273)
At 30 June	**-**	77

10 MURABAHA FINANCING TO INVESTEE COMPANIES (continued)

The table below illustrates the movement in impairment provision during the year:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Provision at the beginning of the year	**(1,273)**	(1,224)
Impairment charged	**(1,177)**	(49)
Provision at the end of the year	**(2,450)**	(1,273)

These represent financing support extended by the Group to facilitate the debt restructuring and repayments of investees with external lenders in the form of commodity murabaha contracts. The Group did not recognise any profit during the year on these financing contracts.

11 WAKALA CONTRACT RECEIVABLE

Wakala contract receivable represents USD 13,341 thousand of short-term trade finance deals placed with Trade Finance Corporation ("TFC") through a locally incorporated bank ("Wakil") at an expected profit rate of 6.5% per annum with maturities ranging between 90 to 150 days. The Group has recognised an ECL of 50% (30 June 2021: 50%) under stage 3 amounting to USD 6,671 thousand (30 June 2021: USD 6,671 thousand).

The Group suspended accruing profit on its wakala contract receivable as the Wakil has failed to redeem the Group's wakala upon their request. The Group has a corresponding short-term borrowing from the Wakil under an unrestricted wakala agreement amounting USD 13,341 thousand.

12 RECEIVABLES

	30 June 2022 USD '000	*30 June 2021 USD '000*
Receivable from investment banking services	**10,626**	10,050
Receivable on sale of investment	**1,678**	-
	12,304	10,050
Less: ECL provision	**(6,204)**	(7,076)
	6,100	2,974

The table below shows the movement in impairment provision during the year:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Provision at the beginning of the year	**(7,076)**	(8,451)
Reversal of provision for expected credit losses	**342**	1,375
Write off	**530**	-
Provision at the end of the year	**(6,204)**	(7,076)

13 FUNDING TO PROJECT COMPANIES

	30 June 2022 USD '000	*30 June 2021 USD '000*
Gross funding	**4,402**	4,608
Less: ECL provision	**(2,112)**	(2,118)
	2,290	2,490

The table below shows the movement in impairment provision during the year:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Provision at the beginning of the year	**(2,118)**	(2,097)
Reversal of / (provision for) expected credit losses	**6**	(21)
Provision at the end of the year	**(2,112)**	(2,118)

These relate to funding provided to various projects and investments promoted by the Group. The financing facilities are free of profit and do not have specific terms of repayment, and are expected to be recovered in the course of project development or on realisation of cash flows from sale of the underlying assets or through their operations. ECL have been recorded where necessary to reflect delays and doubts over recoverability based on the Group's regular impairment assessments.

14 OTHER ASSETS

	30 June 2022 USD '000	*30 June 2021 USD '000*
Advances to acquire investments	**6,281**	6,295
Project costs recoverable	**3,516**	2,165
Receivable from a settlement agreement	**1,086**	-
Dividend receivable	**444**	124
Other receivables	**1,979**	2,355
	13,306	10,939
Less: ECL provision	**(10,581)**	(10,092)
	2,725	847

The table below shows the movement in ECL during the year:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Provision at the beginning of the year	**(10,092)**	(11,283)
Impairment (charged) / reversed	**(545)**	1,191
Write off	**56**	-
Provision at the end of the year	**(10,581)**	(10,092)

15 RIGHT-OF-USE ASSET / IJARAH LIABILITY

The Group's subsidiaries have lease contracts for office rental spaces and land. The table below illustrates the right-of-use asset and related liability recognised by the Group:

	Right-of-use asset	***Ijarah liability***
	USD' 000	***USD' 000***
As at 1 July 2020	3,831	3,894
Adjustments to ROU	(548)	(549)
Depreciation	(129)	-
Finance cost	-	161
Rent paid	-	(225)
As at 30 June 2021	3,154	3,281
Lease Adjustments	538	538
Depreciation	(140)	-
Finance cost	-	171
Rent paid	-	(247)
As at 30 June 2022	**3,552**	**3,743**

	2022	*2021*
	USD' 000	*USD' 000*
Right-of-use asset		
Non-current	**3,552**	3,154
As at 30 June	**3,552**	3,154

	2022	*2021*
	USD' 000	*USD' 000*
Ijarah liability		
Current	**85**	71
Non-current	**3,658**	3,210
As at 30 June	**3,743**	3,281

	2022	*2021*
	USD' 000	*USD' 000*
Ijarah liability		
Gross ijarah liability	**5,965**	5,965
Deferred cost on ijarah liability	**(2,222)**	(2,684)
	3,743	3,281

16 PROPERTY AND EQUIPMENT

	Building *USD '000*	*Office equipment* *USD '000*	*Furniture and fixtures* *USD '000*	*Motor vehicles* *USD '000*	*Total* *USD '000*
Cost					
At 1 July 2021	10,098	1,861	4,817	496	17,272
Additions during the year	-	19	45	-	64
At 30 June 2022	**10,098**	**1,880**	**4,862**	**496**	**17,336**
Depreciation					
At 1 July 2021	3,408	1,826	4,666	496	10,396
Charge for the year	278	14	19	-	311
At 30 June 2022	**3,686**	**1,840**	**4,685**	**496**	**10,707**
Impairment					
At 1 July 2021	2,251	-	-	-	2,251
Impairment during the year	202	-	-	-	202
Net book value at 30 June 2022	**3,959**	**40**	**177**	**-**	**4,176**
Net book value at 30 June 2021	4,439	35	151	-	4,625

Certain balances have been reclassified by the management to confirm to the presentation as at 30 June 2022.

17 ISLAMIC FINANCING PAYABLE

	Note	***30 June 2022*** ***USD '000***	*30 June 2021* *USD '000*
Short-term Islamic financing payables:			
Wakala payable to financial institution	17.1	**13,241**	13,241
		13,241	13,241

17.1 The Group is undergoing a legal case to net off the payable amount to a local bank against the Wakala contract receivable from the same party. On 20 May 2021, the BCDR issued a judgement based on which the Bank has been ordered to pay USD 13,391 thousand principal, late payment charges of USD 1,474 thousand, and arbitration costs of USD 789 thousand, for which the Group has not made accruals of USD 2,263 thousand in the consolidated financial statements.

18 OTHER LIABILITIES

	30 June 2022 ***USD '000***	*30 June 2021* *USD '000*
Accounts payable	**5,647**	6,417
Provisions and accruals	**479**	602
Deferred income	**1,156**	1,221
Provision against guarantees *	**14,673**	15,160
Payable under settlement agreement **	**8,274**	9,261
Other	**3**	395
	30,232	33,056

18 OTHER LIABILITIES (continued)

* Guarantees relate to corporate guarantees provided by the Group to various creditors to support financing to one of its project companies. The Group received certain legal claims from creditors which the Group is currently in the process of assessing its legal position and a defense strategy. Management has found it prudent to recognise provisions against such claims on its consolidated statement of financial position along with appropriate provisions.

The amount reported in the Group's consolidated statement of financial position related to such claims under other liabilities was USD 13,945 thousand (30 June 2021: USD 15,121 thousand). The Group has fully settled its concluded litigations during the year ended 30 June 2022.

** Amount payable under settlement agreement represents past due profits on Islamic financing payable settled as of 30 June 2021. The amount is due on 30 June 2025.

19 SHARE CAPITAL

	30 June 2022 USD '000	*30 June 2021 USD '000*
Authorised: 500,000,000 (30 June 2020: 500,000,000) ordinary shares of USD 1 each	**500,000**	500,000
Issued and fully paid up: 190,000,000 shares of USD 1 each (30 June 2020: 190,000,000 shares of USD 1 each)	**190,000**	190,000

The Bahrain Commercial Companies Law ("BCCL") requires that where accumulated losses exceed 50% of paid-up capital, the directors should call for an Extraordinary General Meeting (EGM) at which the shareholders are required to resolve whether to continue with the operations of the Group or to dissolve it before the expiry of its term.

On 21 April 2022, an EGM was held where it was resolved to adjust Group's capital against its accumulated losses where share capital was proposed to be reduced by USD 189,995 thousand after writing off accumulated losses of USD 190,413 thousand and reducing statutory reserve by USD 418 thousand. Additionally, the EGM also resolved to introduce a strategic investor, Esterad Investment Company B.S.C(c), as a new shareholder with a contribution of USD 1 million as paid-up capital and acquiring 99.50% ownership of the Group. On 7 November 2022, the capital reduction and introduction of the new shareholder was approved by the MOICT.

Statutory reserve

The BCCL and the Bank's articles of association requires that 10% of the profit for the year shall be transferred to a statutory reserve. During the year, no transfers were made to statutory reserve due to losses incurred by the Group. The reserve is not distributable except in such circumstances as stipulated in the BCCL and following the approval of the CBB.

20 INCOME FROM INVESTMENT BANKING SERVICES - NET

	30 June 2022 USD '000	*30 June 2021 USD '000*
Investment management and arrangement fees	**3,603**	960
	3,603	960

21 GAIN ON SALE OF INVESTMENT - NET

	30 June 2022 USD '000	*30 June 2021 USD '000*
Equity-type investments at fair value through income	**-**	106
	-	106

22 DIVIDEND INCOME

	30 June 2022 USD '000	*30 June 2021 USD '000*
Income from dividends	**666**	794
	666	794

23 RENTAL AND OTHER INCOME

	30 June 2022 USD '000	*30 June 2021 USD '000*
Rental income	**1,326**	1,376
Income from a settlement agreement and reversal of a related accrual*	**1,329**	-
Reversal of accruals**	**500**	854
Recoveries of impaired receivables and investments	**267**	801
Others	**107**	136
	3,529	3,167

* During the year, the Bank concluded an agreement with a related party to transfer shares into the name of the Bank and the Bank in turn would settle a portion of the liability owed. The transfer and settlement agreement was signed by the parties subsequent to the year ended 30 June 2022.

** Reversal of accrued expenses mainly relates to Group subsidiaries accruals relating to project companies during the year ended 30 June 2022. Based on management's assessment there is no outstanding liability corresponding to these accruals accordingly the relevant accruals were reversed.

24 FAIR VALUE (LOSSES) / GAINS ON INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME - NET

	30 June 2022 USD '000	*30 June 2021 USD '000*
Trading securities - quoted	**13**	(20)
Investments at fair value through income	**(819)**	8,644
	(806)	8,624

25 STAFF COSTS

	30 June 2022 USD '000	*30 June 2021 USD '000*
Salaries and benefits	**2,651**	2,827
Social insurance expenses	**46**	203
Employee severance cost	**93**	368
Other staff expenses	**37**	33
	2,827	3,431

26 FINANCE EXPENSE

	30 June 2022 USD '000	*30 June 2021 USD '000*
Islamic financing payables	**17**	4,289
Ijarah liability	**171**	161
	188	4,450

27 IMPAIRMENT OF FINANCIAL ASSETS

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of credit loss allowances.

	30 June 2022			
	Stage 1 USD '000	***Stage 2 USD '000***	***Stage 3 USD '000***	***Total USD '000***
Exposures subject to ECL				
Balances with banks	1,725	-	158	1,883
Murabaha financing to investee companies	-	-	2,450	2,450
Wakala contract receivable	-	-	13,341	13,341
Receivables	3,853	116	8,335	12,304
Funding to project companies	-	3,272	1,130	4,402
Other assets	276	1,138	11,892	13,306
	5,854	**4,526**	**37,306**	**47,686**
Guarantees and commitments	3,009	10,415	27,240	40,664
	8,863	**14,941**	**64,546**	**88,350**

	30 June 2021			
	Stage 1 USD '000	*Stage 2 USD '000*	*Stage 3 USD '000*	*Total USD '000*
Exposures subject to ECL				
Balances with banks	282	-	158	440
Murabaha financing to investee companies	-	-	1,350	1,350
Wakala contract receivable	-	-	13,341	13,341
Receivables	-	557	9,493	10,050
Funding to project companies	-	3,295	1,313	4,608
Other assets	150	1,718	9,071	10,939
	432	5,570	34,726	40,728
Guarantees and commitments	4,147	11,390	26,838	42,375
	4,579	16,960	61,564	83,103

27 IMPAIRMENT OF FINANCIAL ASSETS (continued)

An analysis of the changes in ECL allowances, is as follows:

	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
Balance at 30 June 2020				
Balances with banks	(1)	-	(158)	(159)
Murabaha financing to investee companies	-	(570)	(654)	(1,224)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	(59)	(4)	(8,388)	(8,451)
Funding to project companies	-	(1,166)	(931)	(2,097)
Other assets	(203)	(2,015)	(9,065)	(11,283)
Guarantees and commitments	(10)	(940)	-	(950)
As at 30 June 2020	**(273)**	**(4,695)**	**(25,867)**	**(30,835)**
(Charge) / reversal during the period				
Balances with banks	1	-	-	1
Murabaha financing to investee companies	-	570	(619)	(49)
Wakala contract receivable	-	-	-	-
Receivables	59	(13)	1,329	1,375
Funding to project companies	-	178	(199)	(21)
Other assets	203	914	74	1,191
Guarantees and commitments	-	911	(15,121)	(14,210)
	263	**2,560**	**(14,536)**	**(11,713)**
Balance at 30 June 2021				
Balances with banks	-	-	(158)	(158)
Murabaha financing to investee companies	-	-	(1,273)	(1,273)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	-	(17)	(7,059)	(7,076)
Funding to project companies	-	(988)	(1,130)	(2,118)
Other assets	-	(1,101)	(8,991)	(10,092)
Guarantees and commitments	(10)	(29)	(15,121)	(15,160)
As at 30 June 2021	**(10)**	**(2,135)**	**(40,403)**	**(42,548)**

27 IMPAIRMENT OF FINANCIAL ASSETS (continued)

	Stage 1: 12-month ECL USD '000	*Stage 2: Lifetime ECL not credit-impaired USD '000*	*Stage 3: Lifetime ECL credit-impaired USD '000*	*Total USD '000*
(Charge) / reversal during the period				
Balances with banks	(3)	-	-	(3)
Murabaha financing to investee companies	-	-	(1,177)	(1,177)
Wakala contract receivable	-	-	-	-
Receivables	(176)	10	508	342
Funding to project companies	-	7	(1)	6
Other assets	-	152	(697)	(545)
Guarantees and commitments	2	3	482	487
	(177)	**172**	**(885)**	**(890)**
Amount written off				
Receivables	-	-	(530)	(530)
Other assets	-	(56)	-	(56)
	-	**(56)**	**(530)**	**(586)**
Balance at 30 June 2022				
Balances with banks	(3)	-	(158)	(161)
Murabaha financing to investee companies	-	-	(2,450)	(2,450)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	(176)	(7)	(6,021)	(6,204)
Funding to project companies	-	(981)	(1,131)	(2,112)
Other assets	-	(893)	(9,688)	(10,581)
Guarantees and commitments	(8)	(26)	(14,639)	(14,673)
As at 30 June 2022	**(187)**	**(1,907)**	**(40,758)**	**(42,852)**

During the year ended 30 June 2022, an exposure amounting to USD 4 thousand relating to 'Receivables', USD 144 thousand relating to 'Other assets' and USD 694 thousand relating to 'Guarantees and commitments' have been transferred from stage 2 to stage 3.

28 OTHER EXPENSES

	30 June 2022 USD '000	*30 June 2021 USD '000*
Office expenses	**1,226**	1,563
Publicity, conferences and promotion	**97**	40
Board of directors and Shari'a supervisory board fees and expenses	**340**	427
Exchange loss	**89**	16
Project management costs	**1,907**	1,408
Other	**115**	100
	3,774	3,554

29 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, shareholders, directors, key management personnel, Shari'a supervisory board and external auditors of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The Group earns income from investment banking services and management fees from entities over which the Group exercises influence. Although these entities are considered related parties, the Group administers and manages these entities on behalf of its clients, who are mostly third parties and are the economic beneficiaries of the underlying investments.

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The significant related party balances and transactions included in these consolidated financial statements are as follows:

30 June 2022	***Significant unconsolidated Investments at fair value through income USD '000***	***Associates USD '000***	***Board members/ key management personnel/ Shari'a board members/ external auditors USD '000***	***Significant shareholders / entities in which directors are interested USD '000***	***Total USD '000***
Assets					
Investments	-	-	-	1,369	**1,369**
Liabilities					
Employee accruals	-	-	280	-	**280**
Other liabilities	694	420	626	3,228	**4,968**
Other losses					
Fair value losses on investments carried at fair value through income - net	(1,854)	-	-	(255)	**(2,109)**
Share of loss of an associate	-	(190)	-	-	**(190)**
Expenses					
Finance expense	-	-	-	(17)	**(17)**
Legal and professional fees	-	-	(225)	-	**(225)**
Other expenses	(874)	-	(312)	-	**(1,186)**
Impairment of investments	-	(111)	-	-	**(111)**
Provision for credit losses	(586)	-	-	(12)	**(598)**
Commitments and contingencies	694	-	-	-	**694**

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

30 June 2021	*Significant unconsolidated Investments at fair value through income* *USD '000*	*Associates* *USD '000*	*Board members/ key management personnel/ Shari'a board members/ external auditors* *USD '000*	*Significant shareholders / entities in which directors are interested* *USD '000*	*Total* *USD '000*
Assets					
Investments - net	9,698	-	-	1,624	11,322
Investment in an associate - net	-	301	-	-	301
Liabilities					
Employee accruals	-	-	621	-	621
Other liabilities	-	448	903	3,227	4,578
			-		
Revenue					
Dividend income	269	-	-	-	269
Share of income of associates and joint venture - net	-	61	-	-	61
Other losses					
Fair value losses on investments carried at fair value through income - net	(713)	-	-	(420)	(1,133)
Expenses					
Legal and professional fees	-	-	(220)	-	(220)
Other expenses	(200)	-	(394)	-	(594)
Provision for credit losses	(214)	(20)	-	(514)	(748)
Commitments and contingencies	973	278	-	-	1,251

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

Details of Directors' interests in the Bank's ordinary shares as at the year end were:

Categories*

	30 June 2022		*30 June 2021*	
	Number of Shares	***Number of Directors***	*Number of Shares*	*Number of Directors*
Less than 1%	**2,909,627**	**2**	2,909,627	2
1% up to less than 5%	**6,803,131**	**2**	6,803,131	2
5% and less than 10%	**25,179,616**	**2**	25,179,616	2
	34,892,374	**6**	34,892,374	6

** Expressed as a percentage of total outstanding shares of the Bank.*

Compensation of directors and key management personnel are as follows:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Board of directors' attendance fees	**253**	324
Salaries and other short-term benefits	**578**	535
	831	859

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 commercial profit rates and fees. The above mentioned transactions and balances arose from the ordinary course of business of the Group.

Board of Directors' remuneration

No board remuneration was proposed for the years 2022 and 2021 except for the attendance fee.

30 ZAKAH

In accordance with the Articles of Association, the Bank is not required to collect or pay Zakah on behalf of its shareholders or its off-balance sheet equity accounts holders during the year ended 30 June 2022 and the prior period. Accordingly, a statement of sources and uses of Zakah Fund is not presented in the financial statements. However, the Bank is required to calculate and notify individual shareholders of their pro-rata share of Zakah on each share held in the Bank. Zakah payable by the shareholders is computed by the Bank based on the method prescribed by the Bank's Shari'a Supervisory Board. Zakah payable by the shareholders in respect of each share for the year ended 30 June 2022 is US cents nil for every share held (30 June 2021: US cents nil for every share held). Investors should be aware that the ultimate responsibility of calculating and paying the Zakah due on them is their sole responsibility.

31 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 charitable means. There were no earnings from non-Islamic sources during the year (30 June 2021: nil).

32 SHARI'AH SUPERVISORY BOARD

The Group's Shari'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

33 MATURITY PROFILE

The table below shows the maturity profile of the Group's assets and liabilities and unrecognised commitments on the basis of their expected maturities. The amount of cash flows on these instruments may vary significantly from this analysis. The contractual maturity of financial liabilities are set out in note 37 (c).

30 June 2022	*Up to 3 months USD '000*	*3 to 6 months USD '000*	*6 months to 1 year USD '000*	*Total up to 1 year USD '000*	*1 to 3 years USD '000*	*Over 3 years USD '000*	*No fixed maturity USD '000*	*Total USD '000*
Assets								
Balances with banks	1,722	-	-	1,722	-	-	-	**1,722**
Investments	22	-	-	22	342	9,369	13,515	**23,248**
Wakala contract receivable	6,670	-	-	6,670	-	-	-	**6,670**
Receivables	1,524	2,368	-	3,892	2,208	-	-	**6,100**
Funding to project companies	-	-	-	-	2,290	-	-	**2,290**
Other assets	1,434	242	436	2,112	613	-	-	**2,725**
Right-of-use asset	-	-	-	-	-	3,552	-	**3,552**
Property and equipment	-	-	-	-	-	4,176	-	**4,176**
Total assets	**11,372**	**2,610**	**436**	**14,418**	**5,453**	**17,097**	**13,515**	**50,483**
Liabilities								
Islamic financing payable	13,241	-	-	13,241	-	-	-	**13,241**
Employee accruals	259	-	-	259	-	498	-	**757**
Ijarah liability	-	-	85	85	-	3,658	-	**3,743**
Other liabilities	71	332	14,888	15,291	13,758	1,183	-	**30,232**
Total liabilities	**13,571**	332	**14,973**	**28,876**	**13,758**	**5,339**	-	**47,973**
Net liquidity gap	**(2,199)**	**2,278**	**(14,537)**	**(14,458)**	**(8,305)**	**11,758**	**13,515**	**2,510**
Cumulative liquidity gap	**(2,199)**	**79**	**(14,458)**	**(14,458)**	**(22,763)**	**(11,005)**	**2,510**	**2,510**
Commitments and contingencies	-	-	**27,655**	**27,655**	**3,009**	**-**	**10,000**	**40,664**

33 MATURITY PROFILE (continued)

30 June 2021	*Up to 3 months USD '000*	*3 to 6 months USD '000*	*6 months to 1 year USD '000*	*Total up to 1 year USD '000*	*1 to 3 years USD '000*	*Over 3 years USD '000*	*No fixed maturity USD '000*	*Total USD '000*
Assets								
Balances with banks	282	-	-	282	-	-	-	282
Investments	9	-	2,540	2,549	10,552	9,356	12,557	35,014
Investment in an associate	-	-	-	-	-	-	301	301
Murabaha financing to investee companies	-	-	77	77	-	-	-	77
Wakala contract receivable	6,670	-	-	6,670	-	-	-	6,670
Receivables	-	540	-	540	2,434	-	-	2,974
Funding to project companies	-	-	183	183	2,307	-	-	2,490
Other assets	-	1	783	784	58	5	-	847
Right-of-use asset	-	-	-	-	-	3,154	-	3,154
Property and equipment	-	-	-	-	-	-	4,625	4,625
Total assets	6,961	541	3,583	11,085	15,351	12,515	17,483	56,434
Liabilities								
Islamic financing payable	13,241	-	-	13,241	-	-	-	13,241
Employee accruals	556	-	145	701	368	79	-	1,148
Ijarah liability	-	-	71	71	-	3,210	-	3,281
Other liabilities	15,314	-	2,463	17,777	4,162	11,117	-	33,056
Total liabilities	29,111	-	2,679	31,790	4,530	14,406	-	50,726
Net liquidity gap	(22,150)	541	904	(20,705)	10,821	(1,891)	17,483	5,708
Cumulative liquidity gap	(22,150)	(21,609)	(20,705)	(20,705)	(9,884)	(11,775)	5,708	5,708
Commitments and contingencies	-	-	28,508	28,508	3,867	-	10,000	42,375

34 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

a) Industry sector

30 June 2022	*Trading and manufacturing USD '000*	*Banks and financial institutions USD '000*	*Real estate USD '000*	*Health care USD '000*	*Food and Technology USD '000*	*Oil and gas USD '000*	*Other USD '000*	*Total USD '000*
Assets								
Balances with banks	-	1,722	-	-	-	-	-	**1,722**
Investments	-	1,369	3,168	-	9,343	-	9,368	**23,248**
Wakala contract receivable	-	6,670	-	-	-	-	-	**6,670**
Receivables	-	-	2,092	-	3,744	-	264	**6,100**
Funding to project companies	-	-	2,290	-	-	-	-	**2,290**
Other assets	-	-	668	-	210	-	1,847	**2,725**
Right-of-use asset	-	-	-	-	-	-	3,552	**3,552**
Property and equipment	-	-	4,165	-	-	-	11	**4,176**
Total assets	**-**	**9,761**	**12,383**	**-**	**13,297**	**-**	**15,042**	**50,483**
Liabilities								
Islamic financing payable	-	13,241	-	-	-	-	-	**13,241**
Employee accruals	-	-	-	-	-	-	757	**757**
Ijarah liability	-	-	-	-	-	-	3,743	**3,743**
Other liabilities	13,946	3,228	1,113	694	8	-	11,243	**30,232**
Total liabilities	**13,946**	**16,469**	**1,113**	**694**	**8**	**-**	**15,743**	**47,973**
Commitments and contingencies	**26,961**	**-**	**10,000**	**694**	**-**	**-**	**3,009**	**40,664**
Equity of investment account holders	**-**	**-**	**-**	**-**	**-**	**-**	**116**	**116**

34 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

a) Industry sector (continued)

30 June 2021	*Trading and manufacturing USD '000*	*Banks and financial institutions USD '000*	*Real estate USD '000*	*Health care USD '000*	*Food and Technology USD '000*	*Oil and gas USD '000*	*Other USD '000*	*Total USD '000*
Assets								
Balances with banks	-	282	-	-	-	-	-	282
Investments	-	1,624	4,037	1,854	15,440	163	11,896	35,014
Investment in an associate	-	-	-	-	-	-	301	301
Murabaha financing to investee companies	-	-	77	-	-	-	-	77
Wakala contract receivable	-	6,670	-	-	-	-	-	6,670
Receivables	-	-	540	-	2,434	-	-	2,974
Funding to project companies	-	-	2,490	-	-	-	-	2,490
Other assets	-	-	153	-	105	-	589	847
Right-of-use asset	-	-	-	-	-	-	3,154	3,154
Property and equipment	-	-	4,296	-	-	-	329	4,625
Total assets	-	8,576	11,593	1,854	17,979	163	16,269	56,434
Liabilities								
Islamic financing payable	-	13,241	-	-	-	-	-	13,241
Employee accruals	-	-	-	-	-	-	1,148	1,148
Ijarah Liability	-	-	-	-	-	-	3,281	3,281
Other liabilities	15,122	3,227	890	2	8	-	13,807	33,056
Total liabilities	15,122	16,468	890	2	8	-	18,236	50,726
Commitments and contingencies	27,253	-	11,138	975	-	-	3,009	42,375
Equity of investment account holders	-	2	-	-	-	-	134	136

34 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) Geographic region

The following table shows the assets and liabilities of the Group, classified into geographical regions based on the domicile of the entity or underlying assets exposures for the year ended:

30 June 2022	***GCC countries USD '000***	***Other MENA countries USD '000***	***Europe USD '000***	***Cayman Islands / Americas USD '000***	***Total USD '000***
Assets					
Balances with banks	1,722	-	-	-	**1,722**
Investments	13,906	9,342	-	-	**23,248**
Wakala contract receivable	6,670	-	-	-	**6,670**
Receivables	1,840	2,167	1,937	156	**6,100**
Funding to project companies	2,290	-	-	-	**2,290**
Other assets	2,430	150	144	1	**2,725**
Right-of-use asset	3,552	-	-	-	**3,552**
Property and equipment	4,176	-	-	-	**4,176**
Total assets	**36,586**	**11,659**	**2,081**	**157**	**50,483**
Liabilities					
Islamic financing payable	13,241	-	-	-	**13,241**
Employee accruals	757	-	-	-	**757**
Ijarah Liability	3,743	-	-	-	**3,743**
Other liabilities	16,093	13,953	186	-	**30,232**
Total liabilities	**33,834**	**13,953**	**186**	**-**	**47,973**
Commitments and contingencies	13,703	26,961	-	-	**40,664**
Equity of investment account holders	116	-	-	-	**116**

34 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) Geographic region (continued)

30 June 2021	*GCC countries USD '000*	*Other MENA countries USD '000*	*Europe USD '000*	*Cayman Islands / Americas USD '000*	*Total USD '000*
Assets					
Balances with banks	282	-	-	-	282
Investments	27,254	7,760	-	-	35,014
Investment in an associate	301	-	-	-	301
Murabaha financing to investee companies	-	-	77	-	77
Wakala contract receivable	6,670	-	-	-	6,670
Receivables	-	2,434	-	540	2,974
Funding to project companies	2,490	-	-	-	2,490
Other assets	655	104	75	13	847
Right-of-use asset	3,154	-	-	-	3,154
Property and equipment	4,625	-	-	-	4,625
Total assets	45,431	10,298	152	553	56,434
Liabilities					
Islamic financing payable	13,241	-	-	-	13,241
Employee accruals	1,148	-	-	-	1,148
Ijarah Liability	3,281	-	-	-	3,281
Other liabilities	17,935	15,121	-	-	33,056
Total liabilities	35,605	15,121	-	-	50,726
Commitments and contingencies	14,263	27,253	859	-	42,375
Equity of investment account holders	136	-	-	-	136

35 FIDUCIARY ASSETS UNDER MANAGEMENT

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group acting as the custodian of the assets and/or making decisions on behalf of such entities in a fiduciary capacity. Assets that are held in such capacity are not included in these consolidated financial statements.

36 COMMITMENTS AND CONTINGENCIES

The Group has outstanding letters of guarantee in respect of projects, and commitments to finance and invest as follows:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Letters of guarantee*	**30,664**	31,980
Commitments to invest	**10,000**	10,395
	40,664	42,375

* As at 30 June 2022, the Group maintains a provision of USD 14.7 million (30 June 2021: USD 15.1 million) on the outstanding letters of guarantee.

37 RISK MANAGEMENT AND CAPITAL ADEQUACY

The Group has an internal risk management function to oversee risk management and ensure the maintenance of an adequate capital base in line with best practice and in compliance with the regulations of the Central Bank of Bahrain. The Audit & Risk Committee of the Board has the overall responsibility for this function, which is managed by the Management's Executive Committee through the Risk Management Department.

The Risk Management Department independently identifies and evaluates risks in respect of each investment proposal, and periodically monitors and measures risks at investment and statement of financial position level. The Head of Risk Management reports to the Audit & Risk Committee of the Board and has access to the Board of Directors.

The Group is exposed to credit risk, concentration risk, liquidity risk, and market risk (which comprises equity price risk, profit rate risk and currency risk), in addition to operational risk. The Group's approach to monitoring, measuring and managing these risks are discussed below.

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument does not discharge its obligations on due dates and cause the other party to incur a financial loss. The Group's credit risk arises mainly from the balances with banks, murabaha financing to investee companies, receivables, funding to project companies, wakala contract receivable and certain other assets like advances to acquire investments, project costs recoverable and other receivables.

The Group has put in place policies and procedures for managing credit risks to ensure that risks are accurately assessed, properly approved and regularly monitored. Formal credit limits are applied at counterparty and single obligor level. Overall exposures, including large exposures, are evaluated on a monthly basis to ensure a broad diversification of risk by counterparties and concentration limits by geography and industry.

37 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

a) Credit risk (continued)

Credit-related commitments risks

In the course of its business, the Group may extend to its investment project companies guarantees which may require the Group to make payments on their behalf. Such payments are collected from the projects based on the terms of the guarantee. They expose the Group to risks similar to financing contracts and these are mitigated by the same control processes and policies.

Maximum exposure to credit risk

The maximum exposure of credit risk on the financial assets of the Group is the carrying value of the financial assets as at 30 June 2022.

Past due

The Group's receivables are generally free of profit and do not have specific terms of repayment, but are expected to be recovered in full in the course of project development and on realisation of cash flows from sale of the underlying assets and their operations. The Group does not consider these as past due based on the expected cash flows of the project companies. The expected timelines of recovery are set out in note 33.

Definition of default

The Group considers a financial asset to be in default when the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or usually when the obligor is past due more than 90 days for any material credit obligation to the Group. In assessing whether an obligor is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment of another obligation by the same issuer to the Group.

The gross amount of impaired exposures by class of financial assets is as follows:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Balances with banks	**158**	158
Murabaha financing to investee companies	**2,450**	1,350
Wakala contract receivable	**13,341**	13,341
Receivables	**8,335**	9,493
Funding to project companies	**1,130**	1,313
Other assets	**11,892**	9,071
Total	**37,306**	34,726

b) 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 geographic and industry wise concentration limits. The geographical and industry wise distribution of assets and liabilities are set out in note 34.

At 30 June 2022, the total gross credit exposure to individual counterparties which comprised 10% or more of the Group's equity was USD 64 million relating to 13 counterparties (30 June 2021: USD 91 million relating to 17 counterparties).

37 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

c) 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. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

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. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group’s expected cash flows on these instruments may vary significantly from this analysis. The expected maturity profile of assets and liabilities are set out in note 33.

	Gross undiscounted cash flows						
30 June 2022	***Up to 3 months USD '000***	***3 to 6 months USD '000***	***6 months to 1 year USD '000***	***1 to 3 years USD '000***	***Over 3 years USD '000***	***No Fixed Maturity USD '000***	***Total USD '000***
Liabilities							
Islamic financing payable	13,241	-	-	-	-	-	**13,241**
Employee accruals	259	-	-	-	498	-	**757**
Ijarah liability	-	-	85	-	3,658	-	**3,743**
Other liabilities	71	332	14,888	13,758	1,183	-	**30,232**
Total financial liabilities	**13,571**	**332**	**14,973**	**13,758**	**5,339**	**-**	**47,973**
Commitments and contingencies	**-**	**-**	**27,655**	**3,009**	**-**	**10,000**	**40,664**
Equity of investment account holders	**44**	**-**	**-**	**72**	**-**	**-**	**116**

	Gross undiscounted cash flows						
30 June 2021	*Up to 3 months USD '000*	*3 to 6 months USD '000*	*6 months to 1 year USD '000*	*1 to 3 years USD '000*	*Over 3 years USD '000*	*No Fixed Maturity USD '000*	*Total USD '000*
Liabilities							
Islamic financing payable	13,241	-	-	-	-	-	13,241
Employee accruals	556	-	145	368	79	-	1,148
Ijarah liability	-	-	71	-	3,210	-	3,281
Other liabilities	15,314	-	2,463	4,162	11,117	-	33,056
Total financial liabilities	29,111	-	2,679	4,530	14,406	-	50,726
Commitments and contingencies	-	-	28,508	3,867	-	10,000	42,375
Equity of investment account holders	44	-	-	92	-	-	136

37 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises four types of risk: currency risk, profit rate risk, equity price risk and other price risk. 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 rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's significant financial assets and liabilities sensitive to profit rate are placements with financial institutions, financing receivables and financing payables. The Group's exposure to profit rate risk is limited due to the relatively short-term nature of these assets. Average profit rates on financial instruments were:

	30 June 2022	*30 June 2021*
Islamic financing payables	**6.00%**	6.00%

Sensitivity analysis

An analysis of the Group's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	Effect on consolidated statement of income	
	30 June 2022 USD '000	*30 June 2021 USD '000*
100 bps parallel increase / (decrease)		
Islamic financing payables	**± 132**	± 132

Overall, profit rate risk positions are managed by the Group's Treasury, which uses placements from / with financial institutions to manage the overall position arising from the Group's activities.

(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 is exposed to currency risks on certain financing receivables and listed investments denominated in Kuwaiti Dinars, Great Britain Pounds and Turkish Lira. The Group seeks to manage currency risk by continually monitoring exchange rates and exposures.

The Group had the following significant currency exposures as of 30 June:

	2022 USD '000	*2021 USD '000*
Kuwaiti Dinars	**54**	65
Great Britain Pounds	**2,081**	1,192
Turkish Lira	**11,571**	10,136

37 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk (continued)

(ii) Currency risk (continued)

The table below indicates the currencies to which the Group had significant exposure at 30 June 2022 and 30 June 2021 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US Dollar with all other variables held constant on the consolidated statement of income (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. A negative amount on the table below represents a potential net reduction in the consolidated statements of income or equity, while a positive amount reflects a net potential increase.

		30 June 2022		*30 June 2021*	
	Change in currency rates	***Effect on income USD '000***	***Effect on equity USD '000***	*Effect on income USD '000*	*Effect on equity USD '000*
Kuwaiti Dinars	+10%	**5**	**5**	6	6
Great Britain Pounds	+10%	**208**	**208**	119	119
Turkish Lira	+10%	**1,157**	**1,157**	1,014	1,014
Kuwaiti Dinars	-10%	**(11)**	**(11)**	(13)	(13)
Great Britain Pounds	-10%	**(416)**	**(416)**	(238)	(238)
Turkish Lira	-10%	**(2,314)**	**(2,314)**	(2,027)	(2,027)

(iii) Other price risk

The Group’s investments at fair value through equity are carried at cost are exposed to risk of changes in equity values. Refer note 4 for significant accounting judgements and estimates in relation to impairment assessment of these investments carried at cost. The Group manages exposure to other price risks by actively monitoring the performance of the equity securities.

(iv) Equity price risk on quoted equities

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the value of individual companies’ shares. The effect on profit and equity, as a result of a change in fair value of trading equity instruments and equity instruments at fair value through equity, due to a reasonably possible change in equity indices or net asset values, with all other variables held constant, is as follows:

		30 June 2022		*30 June 2021*	
	Change in equity price risk	***Effect on income USD '000***	***Effect on equity USD '000***	*Effect on income USD '000*	*Effect on equity USD '000*
Trading Securities	**-**	**2**	**2**	1	1

e) Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department is in charge of identifying, monitoring and managing operational risk in the Bank. The Group has an approved policy for doing this and the organisational and physical infrastructure is in place.

37 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

f) Capital management

The Bank's regulator, the CBB sets and monitors capital requirements for the Group as a whole. The Group is required to comply with the provisions of the Capital Adequacy Module of the CBB (based on the Basel III and the Islamic Financial Services Board "IFSB" frameworks) in respect of regulatory capital. In implementing current capital requirements, the CBB requires the Group to maintain a prescribed ratio of total capital to risk-weighted assets. The Bank's operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's regulatory capital position was as follows based on the consolidated prudential information report for Islamic banks prepared by the Group's management as of the date of these consolidated financial statements:

	30 June 2022 USD '000	*30 June 2021 USD '000*
Total risk weighted assets	**536,547**	659,354
CET1 capital	**1,350**	4,655
Additional Tier 1	**-**	-
Tier 2 capital	**2,093**	1,441
Total regulatory capital	**3,443**	6,096
Total regulatory capital expressed as a percentage of total risk weighted assets	**0.64%**	0.92%
Minimum requirement	**12.5%**	12.5%

Total Common Equity Tier 1 capital comprises of share capital, share premium, statutory reserve and retained earnings, minority interest in consolidated subsidiaries less gross unrealised loss arising from fair valuing equities.

Tier 2 capital comprises of unrealised gains arising from fair valuing equity securities supported by independent valuations. Certain adjustments are made to IFRS and AAOIFI based results and reserves, as prescribed by the CBB.

Total CAR amounting 0.64% as of 30 June 2022, is in breach of the minimum requirement of 12.5% as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.

Tier 1 and CET1 CAR of 0.25%, which is in breach of the minimum requirement of 10.5% as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.

38 FAIR VALUE

Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June 2022 and 30 June 2021, all the financial liabilities of the Group are classified under 'amortised cost'.

This hierarchy requires the use of observable market data when available. There have been no transfers between the levels of valuation during the period.

Fair value hierarchy of investments

30 June 2022	***Level 1 USD 000***	***Level 2 USD 000***	***Level 3 USD 000***	***Total USD 000***
Investments:				
Held for trading	**22**	**-**	**-**	**22**
Fair value through income	**-**	**-**	**10,712**	**10,712**
Fair value through equity	**-**	**-**	**12,514**	**12,514**
	22	**-**	**23,226**	**23,248**

30 June 2021	*Level 1 USD 000*	*Level 2 USD 000*	*Level 3 USD 000*	*Total USD 000*
Investments:				
Held for trading	9	-	-	9
Fair value through income	-	-	21,621	21,621
Fair value through equity	-	-	13,384	13,384
	9	-	35,005	35,014

38 FAIR VALUE (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value through income:

	30 June 2022 USD 000	*30 June 2021 USD 000*
At 1 July	**21,621**	42,385
Fair value (losses) / gains recognised in the consolidated statement of income - net	**(819)**	8,644
Sale of investments during the year	**(10,090)**	(29,408)
At 30 June	**10,712**	21,621

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value through equity:

	30 June 2022 USD '000	*30 June 2021 USD '000*
At 1 July	**13,384**	39,466
Additions during the year	**332**	9,356
Impairment recognised during the year	**(212)**	(4,381)
Fair value reserve	**-**	262
Sale of investments during the year	**(990)**	(31,319)
At 30 June	**12,514**	13,384

The effect on fair value through equity (as a result of a change in the net asset value of equity investments) due to a reasonable possible positive change (i.e.+5%) in the value of individual investments, with all other variables held constant, is USD 626 thousand (2021: USD 669 thousand).

The effect on consolidated statement of income (as a result of a change in the net asset value of equity investments) due to a reasonable possible negative change (i.e.-5%) in the value of individual investments, with all other variables held constant, is USD 626 thousand (2021: USD 669 thousand), after exhausting the fair value through equity (if any).

The effect on fair value through income (as a result of a change in the net asset value of equity investments) due to a reasonable possible positive change (i.e.+5%) in the value of individual investments, with all other variables held constant, is USD 537 thousand (2021: USD 1,082 thousand).

The effect on consolidated statement of income (as a result of a change in the net asset value of equity investments) due to a reasonable possible negative change (i.e.-5%) in the value of individual investments, with all other variables held constant, is USD 537 thousand (2021: USD 1,082 thousand), after exhausting the fair value through income (if any).

39 SUBSEQUENT EVENTS

On 21 April 2022, an EGM was held where it was resolved to adjust Group's capital against its accumulated losses where share capital was proposed to be reduced by USD 189,995 thousand after writing off accumulated losses of USD 190,413 thousand and reducing statutory reserve by USD 418 thousand. Additionally, the EGM also resolved to introduce a strategic investor, Esterad Investment Company B.S.C(c), as a new shareholder with a contribution of USD 1 million as paid-up capital and acquiring 99.50% ownership of the Group. On 7 November 2022, the capital reduction and introduction of the new shareholder was approved by the MOICT.

On 19 September 2022, the Bank entered into a settlement agreement with a creditor to restructure it’s obligations. The agreement is however subject to certain conditions precedent which the Bank is currently working on fulfilling as disclosed in note 2.

On 23 January 2023, an EGM was held, where it was resolved to change the financial year end from 30 June to 31 December effective from 31 December 2022.