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

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

30 JUNE 2021

VENTURE CAPITAL BANK

In the name of Allah the Merciful, the Compassionate

Report of the Shari'ah Supervisory Board for period from 01/07/2020 to 30/06/2021

Praise be to Allah, and peace be upon our Messenger, his family companions and allies.

In compliance with the letter of appointment, we are required to submit the following report:

The Shari'ah Supervisory Board of Venture Capital Bank has reviewed all the business and investments of the Bank in its meetings for the period from 01/07/2020 to 30/06/2021.

It has studied and discussed, with the Bank's management, the financial statements and the income statement for the period from 01/07/2020 to 30/06/2021.

It should be noted that it is the responsibility of the Bank's management to ensure that the Bank is working in compliance with Shari'ah principles, while the responsibility of the Shari'ah Supervisory Board is limited to give an independent opinion based on monitoring the Bank's operations and preparing the report to be submitted to you.

Through continuous reviewing and monitoring of the Bank's business, the Shari'ah Supervisory Board finds that the business, activities, investments and projects made by the Bank in general are compliant with the principles of Islamic Sharia'h. The SSB have directed the bank to exit some historical investments, in which we found some non-Sariah compliance elements, knowing that those investments are old and not new and should be exited as soon as possible. SSB were informed that bank's management endeavored to comply with this decision, however due to market circumstance and local and international changes they weren't able to achieve the requirement during the year 2020-2021.

The Shari'ah Supervisory Board, represented by its Chairman, has reviewed all investment brochures used by the Bank, and the funds it established. It has ratified that they are Islamic investments, publications and funds.

The Shari'ah Supervisory Board has also reviewed the financial statements, approved by the auditors for the said period, and decided that they are compliant with the principles of Islamic Shari'ah.

Zakat was calculated in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards. The responsibility of payment of Zakat on the shares, if falls due and payable, lies on the shareholder's part.

Accordingly, as the Shari'ah Supervisory Board issues its report to confirm the legitimacy of the business, investments, funds, and statements of Venture Capital Bank during this year as been presented.

Finally, the Shari'ah Supervisory Board acknowledges the efforts of all employees of the Bank in facilitating the work of the Shari'ah Supervisory Board and appreciates their efforts, calling on Allah to help them to get more of His grace and generosity, for He is able to do so.

Peace be upon our master, Mohammad, his family and allies.

We praise to Allah the Lord of the worlds.

Nidham Bin Mohammed Saleh Yaqoobi
Chairman, Shariah Supervisory Board

Issa Zaki
Shariah Member

Executed on Wednesday, 15/07/1443 H, corresponding to the 16/02/2022

THROUGH PARTNERSHIP COMES GROWTH - THROUGH EXPERIENCE COMES STRENGTH

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 2021. The challenges faced throughout the period eased marginally, but still required constant vigilance.

Volatility remained the watchword across the global economy and international markets. Regional geopolitical tensions eased in the Gulf, although further afield, heightened posturing rhetoric continued to dampen trade relations between the United States and both China and Russia. The impact of Covid 19 became less severe in the more developed nations with better access to vaccines, but much of the planet's poorer regions remain severely underprotected. Recurring waves of the virus are unpredictable and will remain a threat for the foreseeable future.

The Bank reported a loss of USD 15.76 million, significantly lower than a loss of USD 81.12 million (restated) report in the previous fiscal year 2020. Total revenue was USD 5.03 million compared to USD 8.12 million (restated) in prior period; while operating expenses excluding finance costs reduced to USD 8.93 million from USD 9.41 million (restated) in the previous year. In current period, the Bank recorded a fair value gain of USD 8.62 million compared to a fair value loss of USD 31.87 million (restated) in the prior period; while impairment losses were lower at USD 16.09 million compared to USD 43.44 million (restated) in the previous year.

The Bank's total assets during the period ended 30 June 2021 decreased to USD 56.43 million from USD 128.22 million (restated) due to transfer of certain investments under a debt settlement agreement with the Bank's largest creditor. Total liabilities decreased significantly to USD 50.73 million compared to USD 107.18 million (restated) in the prior period due to the said debt restructuring. Shareholders' Equity stands at USD 5.71 million compared to USD 21.04 million (restated) in the previous year.

The Bank's debt restructuring process, with the objective of improving the Bank's financial position and further deleveraging its balance sheet, included a debt reduction transaction of USD 70.69 million. On 30 June 2021, the Bank entered into an agreement with its largest creditor to settle an Islamic financing payable amounting to USD 70.69 million in exchange for ownership in various investment assets of equivalent value held by the Bank as of that date. The transaction is expected to significantly reduce the Bank's finance costs going forward, a highly beneficial, positive outcome.

Initiatives begun last year on key issues related to the restructure of the management team, enhancing the operating structure, and improving regulatory compliance, continued apace. Excellent progress on plans for the conversion of the Bank's license was also made. Significant savings have resulted from this effort including, but not limited to, reduction of staff cost, excluding one-offs, by 20%; project management costs by 25% and travel expenses by 98%. As well as the initiatives that are being implemented in the major exposure areas. Where appropriate, the Bank is taking steps to enforce its legal rights in the courts to preserve and enhance its capital position.

The Bank completed several successful investment exits, among them Mozon in Morocco; as well executed a binding sale agreement with respect to Fuddruckers and Caribou Coffee in Bahrain.

In the current year, the threat of Covid resurgence will overhang business markets globally. However, I am encouraged by the prospects for the immediate future in VCBank's core target investment fields with the presence of selective opportunities in real estate in the US and in regional private equity. The progress the Bank has achieved with our debt restructuring programme and the licence conversion process being at an advanced stage give rise to cautious optimism.

On behalf of the Board of Directors, I extend my sincere thanks and appreciation to His Majesty the King of Bahrain, and His Royal Highness the Crown Prince and Prime Minister, for their wise leadership and their ceaseless encouragement for the Islamic banking sector.

Our grateful appreciation is 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.

I would also like to express my thanks to our shareholders, clients and business partners for their enduring loyalty and confidence in VCBank; and to our Shari'ah Supervisory Board for its ongoing wise guidance and supervision. I also extend my gratitude and appreciation to the Bank's management and staff for their unwavering dedication and professionalism in yet another difficult societal and business environment.

May Allah keep us on the proper path and lead us to a successful future success for the Bank.

Abdulfatah M R Marafie
Chairman of the Board

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Ernst & Young − Middle East
P.O. Box 140
East Tower − 10th floor
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/mena
C.R. no. 29977-1

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 2021, 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 2021.

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 2021 the Group incurred a net loss of US$ 15,761 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$ 20,705 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 6 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 37, 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 these 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 12, as of 30 June 2021, 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.

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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)

Basis for disclaimer of opinion (continued)

4. As disclosed in note 18, 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 of US$ 1,375 from the date of the judgement until final settlement and US$ 789 thousand of arbitration costs. The Group has not made the required accrual of US$ 1,761 thousand for the late payment charges, daily penalty charges and arbitration costs in the accompanying consolidated financial statements.

5. As disclosed in note 38, 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$ 15,232 thousand against which management has provided US$ 3,515 thousand as at 30 June 2021. We have been unable to obtain sufficient corroborative evidence to support the adequacy of management's provision of US$ 3,515 thousand.

6. The Group holds, directly and indirectly, an investment of US$ 2,034 thousand for which management has determined the fair value based on an internal valuation. However, based on our audit procedures, we concluded that this investment has no fair value. Further, the Group has not accounted for its share of a potential liability of US$ 607 thousand arising from a guarantee issued in favor of the investee company’s lender.

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.

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

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

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.

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 2021 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.145
28 March 2022
Manama, Kingdom of Bahrain

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 USD '000	Restated 30 June 2020 USD '000	1 July 2019 USD '000
ASSETS				
Balances and placements with banks	8	**282**	505	10,175
Investments	9	**35,014**	83,029	119,119
Investments in associates and joint venture accounted under the equity method	10	**301**	14,656	22,701
Murabaha financing to investee companies	11	**77**	472	30,406
Wakala contract receivable	12	**6,670**	6,670	10,672
Receivables	13	**2,974**	2,020	1,976
Funding to project companies	14	**2,490**	3,181	5,693
Other assets	15	**847**	8,909	26,053
Right-of-use assets	16	**3,154**	3,831	-
Property and equipment	17	**4,625**	4,947	7,480
TOTAL ASSETS		**56,434**	128,220	234,275
LIABILITIES				
Islamic financing payables	18	**13,241**	88,901	109,692
Employee accruals		**1,148**	796	1,440
Ijarah liability	16	**3,281**	3,894	-
Other liabilities	19	**33,056**	13,589	20,885
Total liabilities		**50,726**	107,180	132,017
EQUITY				
Share capital	20	**190,000**	190,000	190,000
Statutory reserve	20	**5,859**	5,859	5,859
Investment fair value reserve		**262**	-	-
Foreign currency translation reserve		**-**	(167)	(71)
Accumulated losses		**(190,413)**	(174,652)	(93,530)
Total equity		**5,708**	21,040	102,258
TOTAL LIABILITIES AND EQUITY		**56,434**	128,220	234,275
OFF-BALANCE SHEET ITEMS				
Equity of investment account holders		**136**	1,118	1,887

Abdulfatah Mohd. Rafie Marafie
Chairman

Mohammed Ahmed Jumaan
Board Member

The attached notes 1 to 43 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 June 2021

	Note	30 June 2021 USD '000	Restated 30 June 2020 USD '000
REVENUE			
Income from investment banking services - net	21	**960**	1,612
Gain on sale of investment	22	**106**	781
Finance income	23	**-**	608
Dividend income	24	**794**	1,496
Rental and other income	25	**3,167**	3,626
Total revenue		**5,027**	8,123
OTHER GAINS (LOSSES)			
Fair value gains (losses) on investments carried at fair value through income - net	26	**8,624**	(31,865)
Total income (losses) before expenses		**13,651**	(23,742)
EXPENSES			
Staff costs	27	**3,431**	3,578
Travel and business development expenses		**2**	134
Legal and professional fees		**1,493**	589
Finance expense	28	**4,450**	4,588
Depreciation	16,17	**451**	828
Other expenses	30	**3,552**	4,282
Total expenses		**13,379**	13,999
PROFIT / (LOSS) BEFORE IMPAIRMENT PROVISIONS AND SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURE		**272**	(37,741)
Impairment of investments	9,10	**(4,381)**	(27,603)
Provision for credit losses	29	**(11,713)**	(13,584)
Impairment of property and equipment	17	**-**	(2,251)
Share of profit of associates and joint venture - net	10	**61**	57
NET LOSS FOR THE YEAR		**(15,761)**	(81,122)

Abdulfatah Mohd. Rafie Marafie
Chairman

Mohammed Ahmed Jumaan
Board Member

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	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 2020 (previously reported)		190,000	5,859	-	(167)	(173,563)	22,129
Effect of restatement - note 43	43	-	-	-	-	(1,089)	(1,089)
Balance at 1 July 2020 (restated)	20	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	10	-	-	-	167	-	167
Balance at 30 June 2021		**190,000**	**5,859**	**262**	**-**	**(190,413)**	**5,708**
Balance at 1 July 2019 (previously reported)	20	190,000	5,859	-	(71)	(93,302)	102,486
Effect of restatement - note 43	43	-	-	-	-	(228)	(228)
Balance at 1 July 2019 (restated)		190,000	5,859	-	(71)	(93,530)	102,258
Net loss for the year (restated)		-	-	-	-	(81,122)	(81,122)
Foreign currency translation difference on investment in an associate		-	-	-	(96)	-	(96)
Balance at 30 June 2020 (restated)		190,000	5,859	-	(167)	(174,652)	21,040

The attached notes 1 to 43 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 2021

		Movements during the year				
2021	***Balance as at 1 July 2020 USD '000***	***Distribution USD '000***	***Fair value movement / (impairment) USD '000***	***Net loss USD '000***	***Bank's fees as an agent USD '000***	***Balance as at 30 June 2021 USD '000***
GCC Pre IPO Fund	**1,118**	**-**	**56**	**(1,038)**	**-**	**136**

		Movements during the year				
2020	*Balance as at 1 July 2019 USD '000*	*Distribution USD '000*	*Fair value movement / (impairment) USD '000*	*Net loss USD '000*	*Bank's fees as an agent USD '000*	*Balance as at 30 June 2020 USD '000*
GCC Pre IPO Fund	1,887	-	(769)	-	-	1,118

		Movements during the year				
2019	*Balance as at 1 July 2018 USD '000*	*Distribution USD '000*	*Fair value movement / (impairment) USD '000*	*Net loss USD '000*	*Bank's fees as an agent USD '000*	*Balance as at 30 June 2019 USD '000*
GCC Pre IPO Fund	2,106	(227)	8	-	-	1,887

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Investment in equities	**92**	1,052	1,821
Receivables	**42**	64	64
Balances with banks	**2**	2	2
Total	**136**	1,118	1,887

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.

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	***30 June 2021 USD '000***	*Restated 30 June 2020 USD '000*
OPERATING ACTIVITIES			
Net loss for the year		**(15,761)**	(81,122)
Adjustments for:			
Impairment of investments	9	**4,381**	27,603
Provision for credit losses	29	**11,713**	13,584
Impairment of property and equipment	17	**-**	2,251
Share of profit of associates and joint venture - net	10	**(61)**	(57)
Fair value (gain) / losses on investments carried at fair value through income - net	26	**(8,624)**	31,865
Gain on sale of investment	22	**(106)**	(781)
Depreciation	16,17	**451**	828
Finance cost on right-of-use asset	16	**161**	196
Dividend income	24	**(794)**	(1,496)
Operating losses before changes in operating assets and liabilities		**(8,640)**	(7,129)
Changes in operating assets and liabilities:			
Investments		**(19,697)**	(15,177)
Investments in associates and joint venture accounted under the equity method		**14,454**	56
Receivables		**420**	25
Funding to project companies		**670**	2,503
Other assets		**9,254**	10,052
Employee accruals		**352**	(644)
Islamic financing payables		**(4,973)**	(20,791)
Other liabilities		**5,257**	(8,147)
Net cash used in operating activities		**(2,903)**	(39,252)
INVESTING ACTIVITY			
Dividends received		**-**	1,496
Property and equipment - net	17	**-**	(47)
Proceeds from sale of investment		**2,129**	-
Net cash from investing activity		**2,129**	1,449
FINANCING ACTIVITIES			
Murabaha financing to investee companies		**346**	28,994
Rent paid towards right-of-use asset	16	**(225)**	(631)
Net cash from financing activities		**121**	28,363
Investment fair value reserve		**262**	-
Foreign currency translation adjustments		**167**	(96)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(224)**	(9,536)
Cash and cash equivalents at beginning of the year	29	**505**	10,200
ECL reversed / (charged) on balances and placements with banks	29	**1**	(159)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**282**	505
Cash and cash equivalents per the consolidated statement of financial position			
Balances with banks	8	**282**	505

* Cashflow from changes in Investments and Islamic financing payables excludes the non-cash effect of changes in the underlying assets and liabilities related to settlement on USD 70,687 thousand Wakala liability in-kind during the current period.

The attached notes 1 to 43 form part of these consolidated financial statements.

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 31, 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 23 March 2022.

2 FUNDAMENTAL ACCOUNTING ASSUMPTION

The Group incurred a net loss of USD 15,761 thousand (30 June 2020: net loss of USD 81,122 thousand) during the year ended 30 June 2021, 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 20,705 thousand (30 June 2020: USD 65,706 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. An EGM was held on 30 November 2020, where the shareholders resolved to restructure the Group's capital to bring it back into compliance with the BCCL requirements by reducing the share capital by USD 167,704 thousand after writing off accumulated losses of USD 173,563 thousand and reducing statutory reserve by USD 5,859 thousand. The effect of this capital reduction has not been effectuated by the MOICT in the companies share register nor has this effect been reflected in these financial statements.

Subsequent to the year ended 30 June 2021, an EGM was held on 8 December 2021 where it was resolved to incorporate further adjustments in the Group's capital against its accumulated losses where share capital was proposed to be reduced further by USD 16,273 thousand after writing off accumulated losses of same amount. The impact of this capital restructure will be reflected in the Group's consolidated financial statements once MOICT approval is received.

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. The management is in the process of appealing this award and filing a counterclaim related to its Wakala contract receivable and related charges from the same counterparty of a similar amount which could effectively result in a netting of part or whole of the amount awarded to the claimant under the final award. Furthermore, with a 50% provision already booked by the Bank under the Wakala contract receivable of USD 13,341 thousand, management is of the view that no further provision is required at this time.

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 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. In the interim, management had commissioned an independent valuation of the investee company's operations on a going concern basis in order to assess the net impact to the Bank resulting from the corporate guarantee. As a result, a provision of USD 3,140 thousand was recorded during the year considering the net exposure of the Bank to the company's obligations after accounting for the independent value of the company's operations.

On 30 June 2021, the Group has signed restructuring agreements to settle an Islamic financing payable amounting to USD 70,687 thousand (principal) in exchange for ownership in various investment assets of equivalent value held by the Bank as of that date. The settlement had the following impact on the Group's financial statements as at 30 June 2021:

- decrease in investments of USD 56,796 thousand
- decrease in investment in associates of USD 13,691 thousand
- decrease in Islamic financing payables of USD 70,687 thousand
- increase in other liabilities of USD 200 thousand

This 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 2021.

Regulatory non-compliance

The Bank did not comply with the following CBB requirements during the year:

- Total shareholders' equity amounted to USD 5,708 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 0.92%, 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 0.71%, 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 10%, 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.

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.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

3.1 Basis of preparation

The annual consolidated financial statements for the year ended 30 June 2021 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.
Food Vest Holding W.L.L. (through Venture Foods S.P.C.) **	2016	50.77%	Kingdom of Bahrain	To own a wholesale and/or retail of food and beverages in the Kingdom of Bahrain. The Group achieved control in October 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 and the Group's intention is to dispose of the entity in the near future. Management is actively seeking a buyer in accordance with FAS 23.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

** As of 30 June 2021, the Group's investment in Food Vest Holding W.L.L. is not consolidated on a line by line basis as the Group was undergoing regulatory formalities to dispose of this entity. Subsequent to the year ended 30 June 2021, the Group have disposed this entity.

The carrying value of these unconsolidated subsidiaries currently classified under Investments as held for sale amounted to USD 9,698 thousand as at 30 June 2021 (30 June 2020: USD 10,411 thousand).

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.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET 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 2020, except for the adoption of new standards and interpretations effective for periods starting on or after 1 January 2021. The following new standards were issued by AAOIFI initially effective from 1 January 2020. However, in the wake of the COVID-19 pandemic, the Accounting and Auditing Board ("AAB") of AAOIFI in its meeting held on 18 March 2020 decided to provide a one year extension of the effective date to 1 January 2021, with early adoption permitted, of the recently issued AAOIFI FASs as mentioned below:

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.

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 institutions. The standard defines the key types of instruments of Shari'ah compliant investments and the primary accounting treatments commensurate to the characteristics and business model of institutions under which the investments are made, managed and held. This standard supersedes FAS 25 "Investment in Sukuk" and is effective for accounting periods beginning or after 1 January 2021.

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.

FAS 38 Wa'ad, Khiyar and Tahawwut
AAOIFI has 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 shariah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022.

The Group's management is currently assessing the impact of the above new accounting standards on the Group's consolidated financial statements.

5 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 2021, the Group's bank balances amounted to USD 282 thousand and there was a short-term maturity mismatch (current liabilities in excess of current assets) of USD 20,705 thousand (30 June 2020: USD 65,706 thousand).

As of 30 June 2021, the Group has signed restructuring agreements to settle its Wakala financing payable amounting to USD 70,687 thousand (principal). Management arranged through restructuring agreements to settle this obligation in exchange for ownership in various investment assets of equivalent value held by the Bank as of that date. The restructuring agreements were signed on 30 June 2021 which resulted in a significant improvement of the Group's short-term maturity mismatch of USD 20,705 (30 June 2020: USD 65,706).

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 2021.

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 39 and 40.

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.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of equity-type investments at fair value through equity

The Group records impairment charges on equity-type investments at fair value through equity, when there has been a significant or prolonged decline in the investment's fair value compared to cost. The determination of what is 'significant' or 'prolonged' requires judgement and is assessed for each investment separately. In case of quoted equity securities, the Group considers a decline of more than 30% in the fair value below cost to be significant and considers a decline below cost which persists for more than six months as prolonged. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Where fair values are not readily available and the investments are carried at cost, the recoverable amount is estimated to assess impairment. In making a judgement of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

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.

6 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial assets and liabilities

(i) Recognition and de-recognition

Financial assets of the Group comprise of cash and balances with banks, placements with financial institutions, 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.

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, loans and receivables, assets at amortised cost or financial assets at fair value through equity. Except for investment securities, the Group classifies all other financial assets as loans and receivables. 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) Measurement principles

Financial assets and liabilities are measured either at fair value, amortised cost or, in certain cases, cost.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial assets and liabilities (continued)

(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 in real estate

Under FAS 26 Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, an entity has the option to adopt either the fair value model or the cost model and shall apply that policy consistently to all of its investment in real estate. The Group has opted for the cost model.

(d) 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.

Equity-type investments that are fair valued through equity, are financial assets that are not equity-type investments carried at fair value through income or loans and receivables, and are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to change in market conditions. These include investments in certain quoted and unquoted equity securities.

(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.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments (continued)

(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.

(e) Impairment assessment

(i) Investments

On each reporting date, the Group assesses whether there is objective evidence that Equity-type investments not carried at fair value through income are impaired. Impairment is assessed on an individual basis for each Equity-type investment and is reviewed twice a year.

In the case of equity securities that are fair valued through equity, the decline in the fair value of the security below its cost is objective evidence of impairment resulting in recognition of an impairment loss. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income – is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity instruments are not subsequently reversed through the consolidated statement of income.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment assessment (continued)

(i) Investments (continued)

For equity-type investments at fair value through equity and carried at cost, the Group makes an assessment of whether there is objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the estimated recoverable amount is assessed to be below the cost of the investment.

(ii) Financial contracts

Financial contracts consist of balances and placements 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.

(iii) Impairment of financial assets

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

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 carried at amortised cost 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment assessment (continued)

(iii) Impairment of financial assets (continued)

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.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment assessment (continued)

(iii) Impairment of financial assets (continued)

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.

(f) Other financial assets carried at amortised cost
All other financial assets are classified as loans and receivables and are carried at amortised cost less provision for credit losses. Impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses, if any, are recognised in the consolidated statement of income and reflected in an allowance account against the respective financial asset.

(g) 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 associates are 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment in associates accounted under the equity method (continued)

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.

(h) Investment in a 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.

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with banks and placements with financial institutions with original maturities of ninety days or less.

(j) 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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) Employee benefits

(i) Short-term benefits

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

(ii) 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) 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.

(u) 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 32.

(v) 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.

(w) 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.

7 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

At 30 June 2021	***Fair value through profit or loss USD '000***	***Fair value through equity USD '000***	***Amortised cost USD '000***	***Total USD '000***
ASSETS				
Balances and placements with banks	**-**	**-**	**282**	**282**
Investments	**30,986**	**4,028**	**-**	**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	**30,986**	**4,028**	**13,203**	**48,217**
LIABILITIES				
Islamic financing payables	**-**	**-**	**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 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

At 30 June 2020 (restated)	*Fair value through profit or loss USD '000*	*Fair value through equity USD '000*	*Amortised cost USD '000*	*Total USD '000*
ASSETS				
Balances and placements with banks	-	-	505	505
Investments	43,563	39,466	-	83,029
Murabaha financing to investee companies	-	-	472	472
Wakala contract receivable			6,670	6,670
Receivables	-	-	2,020	2,020
Funding to project companies	-	-	3,181	3,181
Other assets	-	-	8,831	8,831
TOTAL FINANCIAL ASSETS	43,563	39,466	21,679	104,708
LIABILITIES				
Islamic financing payables	-	-	88,901	88,901
Other liabilities	-	-	9,972	9,972
TOTAL FINANCIAL LIABILITIES	-	-	98,873	98,873
OFF BALANCE SHEET ITEMS				
Equity of investment account holders	-	1,052	66	1,118

At 1 July 2019 (restated)	*Fair value through profit or loss USD '000*	*Fair value through equity USD '000*	*Amortised cost USD '000*	*Total USD '000*
ASSETS				
Balances and placements with banks	-	-	10,175	10,175
Investments	83,300	35,819	-	119,119
Murabaha financing to investee companies	-	-	30,406	30,406
Wakala contract receivable			10,672	10,672
Receivables	-	-	1,976	1,976
Funding to project companies	-	-	5,693	5,693
Other assets	-	-	25,915	25,915
TOTAL FINANCIAL ASSETS	83,300	35,819	84,837	203,956
LIABILITIES				
Islamic financing payables	-	-	109,692	109,692
Other liabilities	-	-	17,303	17,303
TOTAL FINANCIAL LIABILITIES	-	-	126,995	126,995
OFF BALANCE SHEET ITEMS				
Equity of investment account holders	-	1,821	66	1,887

8 BALANCES AND PLACEMENTS WITH BANKS

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Balances in current and call accounts	**440**	664	7,330
Short-term placements with financial institutions	**-**	-	2,871
Less: Deferred profits	**-**	-	(1)
	440	664	10,200
Less: ECL provision	**(158)**	(159)	(25)
	282	505	10,175

As at 30 June 2021, there were restrictions imposed on the Group's balances and placements with banks resulting from a pending legal case. The management is actively working on having these restrictions removed.

9 INVESTMENTS

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Equity-type Investments at fair value through income			
Quoted equities held for trading	**9**	1,178	4,090
Unquoted:			
Equities	**21,621**	41,264	75,925
Fund	**-**	1,121	3,285
	21,630	43,563	83,300
Equity-type Investments at fair value through equity			
Unquoted equities	**25,733**	52,578	55,004
Mudaraba	**9,356**	-	-
Short term liquidity certificates	**570**	28,060	2,430
	35,659	80,638	57,434
Less: impairment provision	**(22,275)**	(41,172)	(21,615)
	13,384	39,466	35,819
Total investments - net	**35,014**	83,029	119,119

Unquoted equity-type investments at fair value through equity are carried at cost less impairment. Short term liquidity certificates comprise Shari'ah 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 referred to under Note 2. 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. As at 30 June 2021, an impairment of USD 644 thousand was recorded in the Group's financial statements 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.

9 INVESTMENTS (continued)

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

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Provision at the beginning of the year	**(41,172)**	(21,615)	(20,303)
Transfers during the year	**23,278**	-	-
Impairment charged	**(4,381)**	(19,557)	(1,312)
Provision at the end of the year	**(22,275)**	(41,172)	(21,615)

Transfers during the year relate to transfer of investments under the settlement agreement referred to under Note 2 of these financial statements.

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

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Real estate projects	**4,028**	39,466	35,819
Private equity	**30,977**	42,165	78,840
Financial services	**-**	220	370
	35,005	81,851	115,029

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

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ACCOUNTED UNDER THE EQUITY METHOD

The Group has the following associates and joint venture which are accounted under the equity method as at 30 June:

			% holding		
				Restated	
Name of associate	***Nature of business***	***Country of incorporation***	***30 June 2021***	*30 June 2020*	*1 July 2019*
Mozon Holding SA	Investment development	Kingdom of Morocco	**-**	20	20
Venture Capital Fund Bahrain	Small & medium enterprises investment fund	Kingdom of Bahrain	**30**	30	30

			% holding		
				Restated	
Name of joint venture	***Nature of business***	***Country of incorporation***	***30 June 2021***	*30 June 2020*	*1 July 2019*
Global Real Estate Co. W.L.L.	Real estate development	Kingdom of Bahrain	**-**	50	50

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ACCOUNTED UNDER THE EQUITY METHOD (continued)

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
The carrying value comprises:	***USD '000***	*USD '000*	*USD '000*
Associates	**301**	934	1,396
Joint venture	**-**	13,722	21,305
	301	14,656	22,701

During the year, movements in investments in associates and joint venture accounted under equity method are as follows:

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
	USD '000	*USD '000*	*USD '000*
At 1 July	**14,656**	22,701	26,666
Additional investments during the year	**-**	40	53
Sale of investments	**(14,416)**	-	-
Foreign currency differences	**-**	(96)	-
Impairment provisions charged	**-**	(8,046)	(3,959)
Share of profit / (losses) of associates and joint venture, net	**61**	57	(59)
At 30 June	**301**	14,656	22,701

Sale of investments during the year relate to transfer of an investment under the settlement agreement referred to under Note 2 of these financial statements.

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
	USD '000	*USD '000*	*USD '000*
Gross investment			
Associates	**2,111**	4,112	4,112
Joint venture	**-**	27,216	27,176
	2,111	31,328	31,288
Less:			
Impairment provision	**(796)**	(12,579)	(4,533)
Foreign currency differences	**-**	(167)	(71)
Share of losses of associates and joint venture, net	**(1,014)**	(3,926)	(3,983)
Net investment	**301**	14,656	22,701

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

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
	USD '000	*USD '000*	*USD '000*
Provision at the beginning of the year	**(12,579)**	(4,533)	(574)
Sale of investments	**11,705**	-	-
Impairment charged	**-**	(8,046)	(3,959)
Provision at the end of the year	**(874)**	(12,579)	(4,533)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ACCOUNTED UNDER THE EQUITY METHOD (continued)

Summarised financial information for investments in associates and joint venture accounted under the equity method, is as follows:

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Total assets	**1,219**	73,562	73,593
Total liabilities	**203**	832	844
Total revenues for the year	**5**	80	110

The total assets, liabilities and revenues of associates and joint venture are based on unaudited management accounts as of 30 June 2021, 2020 and 2019.

11 MURABAHA FINANCING TO INVESTEE COMPANIES

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Financing to investee companies in the following sectors:			
Manufacturing	**914**	654	34,920
United Kingdom real estate	**436**	1,042	1,420
	1,350	1,696	36,340
Less: ECL provision	**(1,273)**	(1,224)	(5,934)
At 30 June	**77**	472	30,406

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

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Provision at the beginning of the year	**(1,224)**	(5,934)	(3,000)
Write off	**-**	5,650	1,490
Impairment charged	**(49)**	(940)	(4,424)
Provision at the end of the year	**(1,273)**	(1,224)	(5,934)

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.

12 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 2020 and 1 July 2019: 50% and 20%) under stage 3 amounting to USD 6,671 thousand (30 June 2020 and 1 July 2019: USD 6,671 thousand and USD 2,669 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.

13 RECEIVABLES

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Receivable from investment banking services	**10,050**	9,879	9,903
Receivable on sale of investment	**-**	591	591
	10,050	10,470	10,494
Less: ECL provision	**(7,076)**	(8,450)	(8,518)
	2,974	2,020	1,976

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

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Provision at the beginning of the year	**(8,450)**	(8,518)	(4,293)
Impairment charged	**1,374**	68	(4,225)
Provision at the end of the year	**(7,076)**	(8,450)	(8,518)

14 FUNDING TO PROJECT COMPANIES

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Gross funding	**4,608**	5,278	7,781
Less: ECL provision	**(2,118)**	(2,097)	(2,088)
	2,490	3,181	5,693

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

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Provision at the beginning of the year	**(2,097)**	(2,088)	(717)
Impairment charged	**(21)**	(9)	(1,371)
Provision at the end of the year	**(2,118)**	(2,097)	(2,088)

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. Impairment provisions have been recorded where necessary to reflect delays and doubts over recoverability based on the Group's regular impairment assessments.

15 OTHER ASSETS

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Advances to acquire investments	**6,295**	10,532	24,492
Project costs recoverable	**2,165**	2,385	1,592
Dividend receivable	**124**	124	-
Other receivables	**1,652**	6,449	2,830
	10,236	19,490	28,914
Less: ECL provision	**(9,389)**	(10,581)	(2,861)
	847	8,909	26,053

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

		Restated	
	30 June 2021 USD '000	*30 June 2020 USD '000*	*1 July 2019 USD '000*
Provision at the beginning of the year	**(10,581)**	(2,861)	(2,992)
Reversed / (charged)	**1,192**	(7,717)	131
Provision at the end of the year	**(9,389)**	(10,578)	(2,861)

16 RIGHT-OF-USE ASSETS / IJARAH LIABILITY

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

	Right-of-use asset USD' 000	***Ijarah liability USD' 000***
Implication of FAS 32	4,329	4,329
Depreciation	(498)	-
Finance cost	-	196
Rent paid	-	(631)
As at 30 June 2020 (restated)	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**

16 RIGHT-OF-USE ASSETS / IJARAH LIABILITY (continued)

	2021 ***USD' 000***	*Restated 2020 USD' 000*
Right-of-use asset		
Non-current	**3,154**	3,831
As at 30 June 2021	**3,154**	3,831

	2021 ***USD' 000***	*Restated 2020 USD' 000*
Ijarah liability		
Current	**71**	67
Non-current	**3,210**	3,827
As at 30 June 2021	**3,281**	3,894

	2021 ***USD' 000***	*Restated 2020 USD' 000*
Ijarah liability		
Gross ijarah liability	**5,965**	5,965
Deferred cost on ijarah liability	**(2,684)**	(2,071)
	3,281	3,894

17 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 2020 (restated)	10,098	1,861	4,817	496	17,272
At 30 June 2021	**10,098**	**1,861**	**4,817**	**496**	**17,272**
Depreciation					
At 1 July 2020 (restated)	2,934	1,827	4,817	496	10,074
Charge for the year	288	34	-	-	322
At 30 June 2021	**3,222**	**1,861**	**4,817**	**496**	**10,396**
Impairment					
At 1 July 2020 (restated)	**2,251**	**-**	**-**	**-**	**2,251**
Net book value at 30 June 2021	**4,625**	**-**	**-**	**-**	**4,625**
Net book value at 30 June 2020 (restated)	4,913	34	-	-	4,947
Net book value at 1 July 2019 (restated)	7,453	-	21	6	7,480

18 ISLAMIC FINANCING PAYABLES

	Note	***30 June 2021 USD '000***	*Restated 30 June 2020 USD '000*	*1 July 2019 USD '000*
Short-term Islamic financing payables:				
Wakala payable to non-bank	18.1	**-**	75,660	70,687
Wakala payable to financial institution	18.2	**13,241**	13,241	39,005
		13,241	88,901	109,692

18.1 As of 30 June 2021, the Group has signed restructuring agreements to settle its Wakala financing payable amounting to USD 70,687 thousand (principal) in exchange for ownership in various investment assets of equivalent value held by the Bank as of that date. Past due accrued profits related to this Wakala financing of USD 9,261 thousand due to the trust under the settlement agreement has be reclassified to other liabilities.

18.2 This consists of short-term Wakala Islamic financing from a local bank with maturities of not more than one month. These Islamic financing payables carry annual profit rates ranging between 2.75% and 0.0% (30 June 2020: 2.75% and 0.0%). The Group is undergoing a legal case to net off the payable amount against the Wakala contract receivable. 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 916 thousand, and arbitration costs of USD 789 thousand, for which the Group has not made accruals of USD 1,705 thousand in the consolidated financial statements.

19 OTHER LIABILITIES

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*	*1 July 2019 USD '000*
Accounts payable	**6,417**	9,972	17,303
Provisions and accruals	**602**	602	1,567
Deferred income	**1,221**	1,303	1,274
Provision against guarantees	**15,160**	950	-
Payable under settlement agreement	**9,261**	-	-
Other	**395**	762	741
	33,056	13,589	20,885

Provision against guarantees relate to corporate guarantees provided by the Group to various creditors to support financing to one of its project companies. During the period, certain legal claims were received 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 relating to such claims under other liabilities was USD 15,121 thousand (30 June 2020: nil), which have been charged by the Group during the period in the consolidated statement of income.

Amount payable under settlement agreement represents amounts reclassified from Islamic financing payable related to past due profits on Islamic financing payable settled as of 30 June 2021 (Note 2). The amount is due on 30 June 2025.

20 SHARE CAPITAL

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*	*1 July 2019 USD '000*
Authorised: 500,000,000 (30 June 2020: 500,000,000) ordinary shares of USD 1 each	**500,000**	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	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.

An EGM was held on 30 November 2020, where the shareholders resolved to restructure the Group's capital to bring it back into compliance with the BCCL requirements by reducing the share capital by USD 167,704 thousand after writing off accumulated losses of USD 173,563 thousand and reducing statutory reserve by USD 5,859 thousand. The effect of this capital reduction has not been effectuated by the MOICT in the companies share register nor ha this effect been reflected in these financial statements.

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.

21 INCOME FROM INVESTMENT BANKING SERVICES - NET

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Investment banking and structuring income	**-**	1,046
Investment management and arrangement fees	**960**	566
	960	1,612

22 GAIN ON SALE OF INVESTMENT

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Equity-type investments at fair value through equity	**-**	769
Equity-type investments at fair value through income	**106**	12
	106	781

23 FINANCE INCOME

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Income from placements with financial institutions	**-**	608
	-	608

24 DIVIDEND INCOME

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Income from dividends	**794**	1,496
	794	1,496

25 RENTAL AND OTHER INCOME

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Rental and property management income	**1,376**	919
Recoveries of written-off receivables	**801**	1,815
Other income	**990**	892
	3,167	3,626

Other income comprises income from yielding real estate investments, income from reversal of additional accruals and other liabilities, income from liquidity program certificates and project management cost recoveries.

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

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Trading securities - quoted	**(20)**	27
Investments at fair value through income	**8,644**	(31,892)
	8,624	(31,865)

27 STAFF COSTS

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Salaries and benefits	**2,827**	3,291
Social insurance expenses	**203**	270
Employee severance cost	**368**	-
Other staff expenses	**33**	17
	3,431	3,578

28 FINANCE EXPENSE

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Islamic financing payables	**4,289**	4,392
Ijarah liability	**161**	196
	4,450	4,588

29 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 2021			
	Stage 1 USD '000	***Stage 2 USD '000***	***Stage 3 USD '000***	***Total USD '000***
Exposures subject to ECL				
Balances and placement 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	1,015	9,071	10,236
	432	**4,867**	**34,726**	**40,025**
Guarantees and commitments	4,147	11,390	26,838	42,375
	4,579	**16,257**	**61,564**	**82,400**

	30 June 2020 (restated)			
	Stage 1 USD '000	*Stage 2 USD '000*	*Stage 3 USD '000*	*Total USD '000*
Exposures subject to ECL				
Balances and placement with banks	506	-	158	664
Murabaha financing to investee companies	-	1,042	654	1,696
Wakala contract receivable	-	-	13,341	13,341
Receivables	591	140	9,739	10,470
Funding to project companies	218	3,961	1,099	5,278
Other assets	4,414	5,956	9,120	19,490
	5,729	11,099	34,111	50,939
Guarantees and commitments	19,700	26,136	-	45,836
	25,429	37,235	34,111	96,775

29 IMPAIRMENT OF FINANCIAL ASSETS (continued)

	1 July 2019 (restated)			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
Exposures subject to ECL				
Balances and placement with banks	10,200	-	-	10,200
Murabaha financing to investee companies	-	1,420	34,920	36,340
Wakala contract receivable	-	-	13,341	13,341
Receivables	591	163	9,740	10,494
Funding to project companies	-	7,711	70	7,781
Other assets	23,625	3,334	1,955	28,914
	34,416	12,628	60,026	107,070
Guarantees and commitments	39,440	-	-	39,440
	73,856	12,628	60,026	146,510

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 1 July 2020 (restated)				
Balances and placement with banks	(1)	-	(158)	(159)
Murabaha financing to investee companies	-	(570)	(654)	(1,224)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	(59)	(4)	(8,387)	(8,450)
Funding to project companies	-	(1,166)	(931)	(2,097)
Other assets	(203)	(1,310)	(9,068)	(10,581)
Guarantees and commitments	(10)	(940)	-	(950)
	(273)	**(3,990)**	**(25,869)**	**(30,132)**
Charge during the period				
Balances and placement with banks	1	-	-	1
Murabaha financing to investee companies	-	570	(619)	(49)
Wakala contract receivable	-	-	-	-
Receivables	59	(13)	1,328	1,374
Funding to project companies	-	178	(199)	(21)
Other assets	203	912	77	1,192
Guarantees and commitments	-	911	(15,121)	(14,210)
	263	**2,558**	**(14,534)**	**(11,713)**
Balance at 30 June 2021				
Balances and placement 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	-	(398)	(8,991)	(9,389)
Guarantees and commitments	(10)	(29)	(15,121)	(15,160)
As at 30 June 2021	**(10)**	**(1,432)**	**(40,403)**	**(41,845)**

During the year ended 30 June 2021, an exposure amounting to USD 26,838 thousand relating to 'Guarantees and commitments', USD 436 thousand relating to 'Murabaha financing to investee companies', USD 214 thousand relating to 'Funding to project companies' and USD 44 thousand relating to 'Other assets' has been transferred from stage 2 to stage 3. Additionally, an exposure amounting to USD 1 thousand relating to 'Other assets' has been transferred from stage 1 to stage 3.

30 OTHER EXPENSES

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Office expenses	**1,563**	1,585
Publicity, conferences and promotion	**40**	69
Board of directors and Shari'ah supervisory board fees and expenses	**427**	492
Exchange loss	**16**	27
Regulatory penalties	**-**	170
Project management costs	**1,408**	1,883
Other	**98**	56
	3,552	4,282

31 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors, key management and external auditors of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

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.

31 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

30 June 2021	***Significant unconsolidated Investments at* fair value through income *USD '000***	***Associates and joint venture USD '000***	***Board members/ key management personnel/ Shari'ah 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**
Investments in associates and joint venture accounted under the equity method - net	-	301	-	-	**301**
Liabilities					
Employee accruals	-	-	621	-	**621**
Other liabilities	-	448	903	3,227	**4,578**
Revenue					
Dividend income	269	-	-	-	**269**
Share of profit of associates and joint venture accounted for using the equity method	-	61	-	-	**61**
Other losses					
Fair value losses on investments carried at fair value through income - net	(713)	-	-	(420)	**(1,133)**
Expenses					
Provision for credit losses	214	20	-	514	**748**
Legal and professional fees	-	-	220	-	**220**
Other expenses	200	-	394	-	**594**
Commitments and contingencies - net	973	278	-	-	**1,251**

31 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Restated				
30 June 2020	*Significant unconsolidated Investments at fair value through income USD '000*	*Associates and joint venture USD '000*	*Board members/ key management personnel/ Shari'ah board members/ external auditors USD '000*	*Significant shareholders / entities in which directors are interested USD '000*	*Total USD '000*
Assets					
Investments - net	10,411	-	-	-	10,411
Investments in associates and joint venture accounted under the equity method - net	-	14,656	-	-	14,656
Liabilities					
Employee accruals	-	-	547	-	547
Other liabilities	-	469	412	-	881
Revenue					
Share of profit of associates and joint venture accounted for using the equity method	-	57	-	-	57
Other losses					
Fair value losses on investments carried at fair value through income - net	(3,844)	-	-	-	(3,844)
Expenses					
Impairment of investments	-	8,046	-	-	8,046
Provision for credit losses	-	20	-	-	20
Legal and professional fees	-	-	220	-	220
Other expenses	968	19	491	-	1,478
Commitments and contingencies - net	973	278	-	-	1,251

31 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

			Restated		
1 July 2019	*Significant unconsolidated Investments at fair value through income USD '000*	*Associates and joint venture USD '000*	*Board members/ key management personnel/ Shari'ah board members/ external auditors USD '000*	*Significant shareholders / entities in which directors are interested USD '000*	*Total USD '000*
Assets					
Investments - net	13,103	-	-	2,966	16,069
Investments in associates and joint venture accounted under the equity method - net	-	22,701	-	-	22,701
Other assets - net	-	5,415		-	5,415
Liabilities					
Employee accruals	-	-	580	-	580
Other liabilities	-	485	1,967	-	2,452
Revenue					
Share of loss of associates and joint venture accounted for using the equity method	-	(59)	-	-	(59)
Other gains					
Fair value gains on investments carried at fair value through income - net	2,350	-	-	-	2,350
Expenses					
Impairment of investments	-	3,959	-	-	3,959
Provision for credit losses	-	19	-	-	19
Legal and professional fees	-	-	215	-	215
Other expenses	984	-	484	-	1,468
Commitments and contingencies - net	975	318	-	-	1,293

31 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 2021		*30 June 2020*	
	Number of Shares	***Number of Directors***	*Number of Shares*	*Number of Directors*
Less than 1%	**251,989**	**2**	6,166,532	5
1% up to less than 5%	**798,330**	**2**	6,803,131	2
5% and less than 10%	**2,954,760**	**2**	25,179,616	2
	4,005,079	**6**	38,149,279	9

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

Compensation of directors and key management personnel are as follows:

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*
Board of directors' attendance fees	**324**	313
Salaries and other short-term benefits	**535**	1,366
	859	1,679

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 2021 and 2020 except for the attendance fee.

32 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 2021 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 2021 is US cents nil for every share held (30 June 2020: 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.

33 EARNINGS PROHIBITED BY SHARI'AH

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 2020: nil).

34 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.

35 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 39 (c).

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 and placements with banks	282	-	-	282	-	-	-	**282**
Investments	9	-	2,540	2,549	10,552	9,356	12,557	**35,014**
Investments in associates and joint venture accounted under the equity method	-	-	-	-	-	-	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 assets	-	-	-	-	-	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 payables	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**

35 MATURITY PROFILE (continued)

				Restated				
30 June 2020	*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 and placements with banks	505	-	-	505	-	-	-	505
Investments	1,178	-	21,235	22,413	10,447	-	50,169	83,029
Investments in associates and joint venture accounted under the equity method	-	-	-	-	-	-	14,656	14,656
Murabaha financing to investee companies	-	472	-	472	-	-	-	472
Wakala contract receivable	-	-	-	-	6,670	-	-	6,670
Receivables	-	591	81	672	1,348	-	-	2,020
Funding to project companies	218	168	-	386	2,795	-	-	3,181
Other assets	175	277	-	452	8,457	-	-	8,909
Right-of-use assets	-	-	-	-	3,831	-	-	3,831
Property and equipment	-	-	-	-	-	-	4,947	4,947
Total assets	2,076	1,508	21,316	24,900	33,548	-	69,772	128,220
Liabilities								
Islamic financing payables	88,901	-	-	88,901	-	-	-	88,901
Employee accruals	-	-	-	-	761	35	-	796
Ijarah liability	-	-	-	-	3,894	-	-	3,894
Other liabilities	950	755	-	1,705	10,212	1,672	-	13,589
Total liabilities	89,851	755	-	90,606	14,867	1,707	-	107,180
Net liquidity gap	(87,775)	753	21,316	(65,706)	18,681	(1,707)	69,772	21,040
Cumulative liquidity gap	(87,775)	(87,022)	(65,706)	(65,706)	(47,025)	(48,732)	21,040	21,040
Commitments and contingencies	-	139	255	394	35,442	-	10,000	45,836

35 MATURITY PROFILE (continued)

				Restated				
1 July 2019	*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 and placements with banks	10,175	-	-	10,175	-	-	-	10,175
Investments	994	1,084	720	2,798	11,962	-	104,359	119,119
Investments in associates and joint venture accounted under the equity method	-	-	-	-	-	-	22,701	22,701
Murabaha financing to investee companies	-	30,406	-	30,406	-	-	-	30,406
Wakala contract receivable	10,672	-	-	10,672	-	-	-	10,672
Receivables	-	708	-	708	1,268	-	-	1,976
Funding to project companies	-	1,327	2,183	3,510	2,183	-	-	5,693
Other assets	12,936	2,359	398	15,693	92	295	9,973	26,053
Property and equipment	-	-	-	-	-	-	7,480	7,480
Total assets	34,777	35,884	3,301	73,962	15,505	295	144,513	234,275
Liabilities								
Islamic financing payables	39,005	-	70,687	109,692	-	-	-	109,692
Employee accruals	-	-	-	-	168	-	1,272	1,440
Other liabilities	7,995	2,591	853	11,439	488	1,184	7,774	20,885
Total liabilities	47,000	2,591	71,540	121,131	656	1,184	9,046	132,017
Net liquidity gap	(12,223)	33,293	(68,239)	(47,169)	14,849	(889)	135,467	102,258
Cumulative liquidity gap	(12,223)	21,070	(47,169)	(47,169)	(32,320)	(33,209)	102,258	102,258
Commitments and contingencies	-	160	275	435	29,005	-	10,000	39,440

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

a) Industry sector

	Audited							
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 and placements with banks	-	282	-	-	-	-	-	**282**
Investments	-	1,624	4,037	1,854	15,440	163	11,896	**35,014**
Investment in associates and joint venture accounted under the equity method	-	-	-	-	-	-	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 assets	-	-	-	-	-	-	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**

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

a) Industry sector (continued)

	Restated							
30 June 2020	*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 and placements with banks	-	505	-	-	-	-	-	505
Investments	39	2,272	40,416	2,572	32,160	-	5,570	83,029
Investment in associates and joint venture accounted under the equity method	-	-	13,722	-	-	-	934	14,656
Murabaha financing to investee companies	-	-	472	-	-	-	-	472
Wakala contract receivable	-	6,670	-	-	-	-	-	6,670
Receivables	-	-	136	-	1,353	-	531	2,020
Funding to project companies	-	98	3,083	-	-	-	-	3,181
Other assets	-	4,114	230	-	4,109	-	456	8,909
Right-of-use assets	-	-	-	-	-	-	3,831	3,831
Property and equipment	-	-	4,571	-	-	-	376	4,947
Total assets	39	13,659	62,630	2,572	37,622	-	11,698	128,220
Liabilities								
Islamic financing payable	-	13,241	-	-	-	-	75,660	88,901
Employee accruals	-	-	-	-	-	-	796	796
Ijarah Liability	-	-	-	-	-	-	3,894	3,894
Other liabilities	72	7,740	889	2	848	-	4,038	13,589
Total liabilities	72	20,981	889	2	848	-	84,388	107,180
Commitments and contingencies	26,136	-	11,138	975	4,578	-	3,009	45,836
Equity of investment account holders	-	931	-	-	-	-	187	1,118

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

a) Industry sector (continued)

	Restated							
1 July 2019	*Trading and manufacturing USD '000*	*Banks and financial institutions USD '000*	*Real estate USD '000*	*Health care USD '000*	*Food and Technology USD '000*	*Shipping USD '000*	*Other USD '000*	*Total USD '000*
Assets								
Balances and placements with banks	-	10,175	-	-	-	-	-	10,175
Investments	7,891	8,094	39,529	2,572	38,758	-	22,275	119,119
Investment in associates and joint venture accounted under the equity method	-	-	21,304	-	-	-	1,397	22,701
Murabaha financing to investee companies	-	-	982	-	-	29,424	-	30,406
Wakala contract receivable	-	10,672	-	-	-	-	-	10,672
Receivables	-	-	159	-	1,352	-	465	1,976
Funding to project companies	-	659	5,034	-	-	-	-	5,693
Other assets	5,414	29	793	-	18,262	-	1,555	26,053
Property and equipment	-	-	7,099	-	-	-	381	7,480
Total assets	13,305	29,629	74,900	2,572	58,372	29,424	26,073	234,275
Liabilities								
Islamic financing payable	-	38,215	-	-	-	-	71,477	109,692
Employee accruals	-	-	-	-	-	-	1,440	1,440
Other liabilities	-	-	5,161	-	335	-	15,389	20,885
Total liabilities	-	38,215	5,161	-	335	-	88,306	132,017
Commitments and contingencies	25,138	-	10,318	975	-	-	3,009	39,440
Equity of investment account holders	-	1,563	-	-	-	-	324	1,887

36 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 2021	***GCC countries USD '000***	***Other MENA countries USD '000***	***Europe USD '000***	***Cayman Islands / Americas USD '000***	***Total USD '000***
Assets					
Balances and placements with banks	282	-	-	-	**282**
Investments	27,254	7,760	-	-	**35,014**
Investment in associates and joint venture accounted under the equity method	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 assets	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**

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

(b) Geographic region (continued)

	Restated					
30 June 2020	*GCC countries USD '000*	*Other MENA countries USD '000*	*Europe USD '000*	*Cayman Islands / Americas USD '000*	*Global USD '000*	*Total USD '000*
Assets						
Balances and placements with banks	505	-	-	-	-	505
Investments	50,699	17,709	14,621	-	-	83,029
Investment in associates and joint venture accounted under the equity method	13,930	726	-	-	-	14,656
Murabaha financing to investee companies	-	-	472	-	-	472
Wakala contract receivable	6,670	-	-	-	-	6,670
Receivables	532	1,352	-	136	-	2,020
Funding to project companies	3,181	-	-	-	-	3,181
Other assets	4,748	4,107	4	50	-	8,909
Right-of-use assets	3,831	-	-	-	-	3,831
Property and equipment	4,947	-	-	-	-	4,947
Total assets	89,043	23,894	15,097	186	-	128,220
Liabilities						
Islamic financing payable	88,901	-	-	-	-	88,901
Employee accruals	796	-	-	-	-	796
Ijarah liability	3,894	-	-	-	-	3,894
Other liabilities	13,589	-	-	-	-	13,589
Total liabilities	107,180	-	-	-	-	107,180
Commitments and contingencies	14,263	30,714	859	-	-	45,836
Equity of investment account holders	1,118	-	-	-	-	1,118

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

(b) Geographic region (continued)

	Restated					
1 July 2019	*GCC countries USD '000*	*Other MENA countries USD '000*	*Europe USD '000*	*Cayman Islands / Americas USD '000*	*Global USD '000*	*Total USD '000*
Assets						
Balances and placements with banks	10,175	-	-	-	-	10,175
Investments	64,466	44,256	7,970	2,427	-	119,119
Investment in associates and joint venture accounted under the equity method	21,550	1,151	-	-	-	22,701
Murabaha financing to investee companies	-	-	982	-	29,424	30,406
Wakala contract receivable	10,672	-	-	-	-	10,672
Receivables	533	1,285	-	158	-	1,976
Funding to project companies	5,693	-	-	-	-	5,693
Other assets	2,636	23,051	343	23	-	26,053
Property and equipment	7,480	-	-	-	-	7,480
Total assets	123,205	69,743	9,295	2,608	29,424	234,275
Liabilities						
Islamic financing payable	109,692	-	-	-	-	109,692
Employee accruals	1,440	-	-	-	-	1,440
Other liabilities	13,145	7,740	-	-	-	20,885
Total liabilities	124,277	7,740	-	-	-	132,017
Commitments and contingencies	14,303	25,137	-	-	-	39,440
Equity of investment account holders	1,887	-	-	-	-	1,887

37 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.

38 COMMITMENTS AND CONTINGENCIES

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

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
	USD '000	*USD '000*	*USD '000*
Letters of guarantee*	**31,980**	30,864	29,005
Commitments to invest	**10,395**	14,972	10,435
	42,375	45,836	39,440

* During the year, the Group has provided USD 15.1 million on the outstanding letters of guarantee.

39 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, placements with financial institutions, 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.

39 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 2021.

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 35.

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:

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
	USD '000	*USD '000*	*USD '000*
Balances and placements with banks	**158**	158	-
Murabaha financing to investee companies	**1,350**	654	34,920
Wakala contract receivable	**13,341**	13,341	13,341
Receivables	**9,493**	9,739	9,740
Funding to project companies	**1,313**	1,099	70
Other assets	**9,071**	9,120	1,955
Total	**34,726**	34,111	60,026

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 36.

At 30 June 2021, the total gross credit exposure to individual counterparties which comprised 10% or more of the Group's equity was USD 91 million relating to 17 counterparties (30 June 2020: USD 154 million relating to 16 counterparties) (1 July 2019: USD 142 million relating to 6 counterparties).

39 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 35.

	Gross undiscounted cash flows (audited)						
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 payables	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**

	Gross undiscounted cash flows (restated)						
30 June 2020	*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 payables	88,901	-	-	-	-	-	88,901
Employee accruals				761	35	-	796
Ijarah Liability	-	-	-	3,894	-	-	3,894
Other liabilities	950	755	-	10,212	1,672	-	13,589
Total financial liabilities	89,851	755	-	14,867	1,707	-	107,180
Commitments and contingencies	-	139	255	35,442	-	10,000	45,836
Equity of investment account holders	66	-	-	1,052	-	-	1,118

39 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

c) Liquidity risk (continued)

	Gross undiscounted cash flows (restated)						
1 July 2019	*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 payables	39,005	-	70,687	-	-	-	109,692
Employee accruals	-	-	-	168	-	1,272	1,440
Other liabilities	7,995	2,591	853	488	1,184	7,774	20,885
Total financial liabilities	47,000	2,591	71,540	656	1,184	9,046	132,017
Commitments and contingencies	-	160	275	29,005	-	10,000	39,440
Equity of investment account holders	66	-	-	1,821	-	-	1,887

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 2021	*30 June 2020*
Placements with financial institutions	**0.00%**	0.00%
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 2021 USD '000	*30 June 2020 USD '000*
100 bps parallel increase / (decrease)		
Placements with financial institutions	**-**	± 29
Islamic financing payables	**± 132**	± 889

39 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk (continued)

(i) Profit rate risk (continued)

Sensitivity analysis (continued)
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:

	2021	*2020*
	USD '000	*USD '000*
Kuwaiti Dinars	**65**	1,182
Great Britain Pounds	**1,192**	8,444
Turkish Lira	**10,136**	1,406

The table below indicates the currencies to which the Group had significant exposure at 30 June 2021 and 30 June 2020 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 2021		*30 June 2020*	
	Change in currency rates	***Effect on profit USD '000***	***Effect on equity USD '000***	*Effect on profit USD '000*	*Effect on equity USD '000*
Kuwaiti Dinars	+10%	**6**	**6**	118	118
Great Britain Pounds	+10%	**119**	**119**	47	844
Turkish Lira	+10%	**1,014**	**1,014**	141	141
Kuwaiti Dinars	-10%	**(13)**	**(13)**	(236)	(236)
Great Britain Pounds	-10%	**(238)**	**(238)**	(47)	(844)
Turkish Lira	-10%	**(2,027)**	**(2,027)**	(281)	(281)

(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 5 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.

39 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk (continued)

(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 2021		*30 June 2020*	
	Change in equity price risk	***Effect on profit USD '000***	***Effect on equity USD '000***	*Effect on profit USD '000*	*Effect on equity USD '000*
Trading Securities	**-**	**1**	**1**	118	118
Equity-type Investments at fair value through income	+10%	**2,162**	**2,162**	4,239	4,239
Equity-type investments at fair value through fair value through equity	+10%	**-**	**1,338**	-	3,947
Trading Securities	**-**	**(1)**	**(1)**	(118)	(118)
Equity-type Investments at fair value through income	-10%	**(2,162)**	**(2,162)**	(4,239)	(4,239)
Equity-type investments at fair value through fair value through equity	-10%	**-**	**(1,338)**	-	(3,947)

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.

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.

39 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

f) Capital management (continued)

The Group's regulatory capital position was as follows:

	30 June 2021 USD '000	*Restated 30 June 2020 USD '000*	*1 July 2019 USD '000*
Total risk weighted assets	**659,354**	965,602	1,012,878
CET1 capital	**4,655**	21,040	102,259
Additional Tier 1	**-**	-	-
Tier 2 capital	**1,441**	4,265	20,258
Total regulatory capital	**6,096**	25,305	122,517
Total regulatory capital expressed as a percentage of total risk weighted assets	**0.92%**	2.62%	12.10%
Minimum requirement	**12.5%**	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 0.92% as of 30 June 2021, 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 0.71%, 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.

40 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.

40 FAIR VALUE (continued)

At 30 June 2021, 30 June 2020 and 1 July 2019 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 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**

30 June 2020 (restated)	*Level 1 USD 000*	*Level 2 USD 000*	*Level 3 USD 000*	*Total USD 000*
Investments:				
Held for trading	1,178	-	-	1,178
Fair value through income	-	-	42,385	42,385
Fair value through equity	-	-	39,466	39,466
	1,178	-	81,851	83,029

1 July 2019 (restated)	*Level 1 USD 000*	*Level 2 USD 000*	*Level 3 USD 000*	*Total USD 000*
Investments:				
Held for trading	4,090	-	-	4,090
Fair value through income	-	-	79,210	79,210
Fair value through equity	-	-	35,819	35,819
	4,090	-	115,029	119,119

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:

		Restated	
	30 June 2021 USD 000	*30 June 2020 USD 000*	*30 June 2019 USD 000*
At 1 July	**42,385**	79,210	103,883
Fair value gain / (losses) recognised in the consolidated statement of income - net	**8,644**	(31,031)	(35,615)
(Sale of) / additional investments during the year - net	**(29,408)**	(5,794)	10,942
At 30 June	**21,621**	42,385	79,210

40 FAIR VALUE (continued)

Fair value hierarchy of investments (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 equity:

		Restated	
	30 June 2021	*30 June 2020*	*1 July 2019*
Gross equity-type investments at fair value through equity	***USD '000***	*USD '000*	*USD '000*
Unquoted equities	**25,733**	52,578	55,004
Mudaraba	**9,356**	-	-
Short term liquidity certificates	**570**	28,060	2,430
	35,659	80,638	57,434
Less: impairment provision	**(22,275)**	(41,172)	(21,615)
Total investments - net	**13,384**	39,466	35,819

Determining fair value under Level 3 includes use of valuation techniques such as the discounted cash flow model. The future cash flows have been estimated by management, based on information and discussion with representatives of management of the investee companies, and based on the latest available audited and un-audited financial statements. Cash flows have been projected for an initial period of three years and then a terminal value has been estimated using a combination of forward multiples and capitalization of cash flows of the last year of the estimate. The discount rates used for computing the present value of future cash flows range from 10.8% to 18.1%. The discount rates have been arrived at after considering the risk free rate, expected market premium, country risk and systematic risk underlying each investee company. The Group has also made use of illiquidity and marketability discounts where considered appropriate.

The potential income effect of a 10% increase in the discount rates, which is a key variable used in the valuation technique, would decrease the fair values by approximately USD 390 thousand, whereas a 10% decrease in the discount rate would increase the fair values by approximately USD 381 thousand. The potential income effect of a 10% change, on either side, in the market multiples, which is a key variable used in the valuation technique, would increase the fair values by approximately USD 1,564 thousand or reduce the fair values by approximately USD 1,360 thousand respectively.

The fair value of Groups other financial investments are not significantly different from the carrying values as at 30 June 2021. There were no transfers of financial assets between level 1, level 2 and level 3 during the year.

Investments amounting to USD 13,384 thousand (30 June 2020: USD 39,466 thousand) are carried at cost less impairment provision in the absence of a reliable measure of fair value. However in the opinion of management and based on best estimates, the fair value is not considered to be materially different from above carrying values.

41 COVID-19 PANDEMIC

The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had an impact on demand for oil and petroleum products. Recent global developments in 2020 and 2021 have caused further volatility in commodity markets.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements. These developments could impact the Group's future financial results, investment valuation, cash flows and financial condition.

42 SUBSEQUENT EVENTS

On 8 December 2021, an Extraordinary General Meeting of the Bank's shareholders was held where, among other things, the following plans were approved:

- Reduce share capital by USD 16,273 by writing off against accumulated losses of same amount; and
- Proposed capital restructuring plan which includes issuance of new ordinary shares through rights offering amounting to USD 60 million, subject to relevant regulatory approvals; and
- Revised license conversion plan to directly convert the Bank's Wholesale License to Category 1 Investment Firm license, subject to relevant regulatory approvals.

On 3 March 2022, the Bank signed a binding letter of intent from a non-related party to acquire up to 100% of the Bank's ordinary shares, subject to obtaining the relevant regulatory approvals and the approvals of the Bank's shareholders and the acquirer's shareholders.

43 RESTATEMENT OF COMPARATIVES

On 30 June 2016, the Bank entered into an agreement with Saudi VC investment Company ("SVCIC"), an associate of the Bank, to purchase certain shares of Goknur (a project managed by the Bank) in order to assist SVCIC in disposing these shares to third party investors. At the time, the Bank's intention was to broker the shares to third-party investors on behalf of SVCIC without assuming any direct exposure to the project. While the Bank was able to sell most of these shares to third party investors, certain shares remained unsold as the initial buyer interest did not fully materialise. Based on a review performed by management and several discussions with SVCIC management and its Board, the Bank's management has assessed that an obligation remained on the Bank towards SVCIC for the unsold shares which needs to be reflected in the Bank's consolidated financial statements along with the recognition of the unsold shares as an investment in Goknur. Prior to 31 December 2020 these shares were not recognised as an investment by the Bank and accordingly the Bank's investment in Goknur, including the corresponding changes in the fair value of the investment and its liabilities to SVCIC, were not reflected within the consolidated financial statements of the Bank for the years ended from 30 June 2016 to 30 June 2020. Management has corrected the above errors in the consolidated financial statements by restating comparatives for each of the affected financial statement line items as presented below:

43 RESTATEMENT OF COMPARATIVES (continued)

	1 July 2019		
	Previously reported USD '000	*Adjustment USD '000*	*Restated USD '000*
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Equity-type investments at fair value through income	71,073	8,137	79,210
Other assets	26,678	(625)	26,053
LIABILITIES			
Other liabilities	13,145	7,740	20,885
EQUITY			
Accumulated losses	(93,302)	(228)	(93,530)

	30 June 2020		
	Previously reported USD '000	*Adjustment USD '000*	*Restated USD '000*
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Equity-type investments at fair value through income	35,734	6,651	42,385
LIABILITIES			
Other liabilities	5,849	7,740	13,589
EQUITY			
Accumulated losses	(173,563)	(1,089)	(174,652)

	For the year ended 30 June 2020		
	Previously reported USD '000	*Adjustment USD '000*	*Restated USD '000*
STATEMENT OF INCOME			
Fair value losses on investments carried at fair value through income - net	(31,004)	(861)	(31,865)