

**Venture Capital Bank B.S.C. (c)**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2022 (Reviewed)**

## **REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF VENTURE CAPITAL BANK B.S.C. (c)**

### ***Introduction***

We were engaged to review the accompanying interim condensed consolidated financial statements of Venture Capital Bank B.S.C. (c) (“the Bank”) and its subsidiaries (together “the Group”), which comprise the interim consolidated statement of financial position as at 31 March 2022, the related interim consolidated statement of income for the three and nine month periods then ended, and the related interim consolidated statements of changes in equity, cash flows and changes in off-balance sheet equity of investment account holders for the nine month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies described in note 4. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of review***

Our responsibility is to conduct a review of the Group’s interim condensed consolidated financial statements in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. However, because of the significance of the matters described in *Basis for Disclaimer of Conclusion* section of our report, we were not able to obtain sufficient appropriate evidence to form a conclusion on the accompanying interim condensed consolidated financial statements.

### ***Basis for Disclaimer of Conclusion***

1. We draw attention to note 2 to the accompanying interim condensed consolidated financial statements. As stated therein, during the period ended 31 March 2022 the Group incurred a net loss of USD 4,287 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 USD 18,340 thousand. The Group is also in certain regulatory breaches as explained in note 3 to the interim condensed consolidated financial statements. These conditions, together with the potential effect of matters described in paragraphs 2 to 8 below, indicate that the going concern assumption used in the preparation of the accompanying interim condensed consolidated financial statements is not appropriate. The accompanying interim condensed 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 6, 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 interim condensed consolidated financial statements. We were not provided with sufficient appropriate 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 interim condensed consolidated financial statements in relation to this matter.

## **REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF VENTURE CAPITAL BANK B.S.C. (c)**

### ***Basis for Disclaimer of Conclusion (continued)***

3. As disclosed in note 9, as of 31 March 2022, the Group has a past due Wakala contract receivable of USD 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 interim condensed consolidated financial statements. In our judgement, an additional provision of USD 6,670 thousand is required against the Wakala contract receivable.
4. As disclosed in note 11, the Group obtained funding of USD 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 USD 13,391 thousand maturity proceeds, USD 916 thousand late payment charges, a daily penalty charge of USD 1,375 from the date of the judgement until final settlement and USD 789 thousand of arbitration costs. The Group has not made the required accrual of USD 2,138 thousand for the late payment charges, daily penalty charges and arbitration costs in the accompanying interim condensed consolidated financial statements.
5. As disclosed in note 15, 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 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 USD 15,901 thousand against which management has provided USD 3,515 thousand as at 31 March 2022. We have been unable to obtain sufficient corroborative evidence to support the adequacy of management's provision of USD 3,515 thousand. Additionally, the Group has not accounted for its share of a potential liability from another project company of USD 112 thousand arising from final judgment subject to execution.
6. The Group holds, directly and indirectly (through investment in an associate), an investment of USD 2,034 thousand for which management has determined the fair value based on an internal valuation. However, based on our review procedures, we concluded that this investment has no fair value. Further, the Group has not accounted for its share of a potential liability of USD 908 thousand arising from a guarantee issued in favor of the investee company's lender and other legal claims.
7. The Group's investments comprise a mudaraba investment carried at fair value through equity of USD 9,356 thousand for which we were unable to obtain sufficient corroborative evidence to support the internal valuation performed by management. Further, we could not obtain sufficient corroborative evidence to support the fair value gain of USD 746 thousand on an investment carried at fair value through equity of USD 1,753 thousand.

**REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF VENTURE  
CAPITAL BANK B.S.C. (c)**

***Basis for Disclaimer of Conclusion (continued)***

8. The Group extends financial support to certain project companies by funding their costs which are classified as project costs recoverable under other assets in the statement of financial position. During the period, the Group lowered the expected credit loss allowance against these exposures from 100% to 50%, the basis for which management was unable to substantiate. Consequently, in our view, as of 31 March 2022, the Group's ECL against these project costs recoverable is inadequate by an amount of USD 428 thousand.

***Disclaimer of Conclusion***

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying interim condensed consolidated financial statements. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements of the Group.



20 October 2022  
Manama, Kingdom of Bahrain

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

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022 (Reviewed)

		<b>31 March</b>	30 June
		<b>2022</b>	2021
	<i>Note</i>	<b>USD '000</b>	USD '000
<b>ASSETS</b>			
Balances with banks	8	<b>1,099</b>	282
Investments		<b>25,694</b>	35,014
Investment in an associate		<b>219</b>	301
Murabaha financing to investee companies		<b>-</b>	77
Wakala contract receivable	9	<b>6,670</b>	6,670
Receivables		<b>2,246</b>	2,974
Funding to project companies		<b>2,290</b>	2,490
Other assets	10	<b>4,087</b>	847
Right-of-use asset		<b>3,746</b>	3,154
Property and equipment		<b>4,403</b>	4,625
<b>TOTAL ASSETS</b>		<b>50,454</b>	56,434
<b>LIABILITIES</b>			
Islamic financing payables	11	<b>13,241</b>	13,241
Employee accruals		<b>1,043</b>	1,148
Ijarah liability		<b>3,764</b>	3,281
Other liabilities	12	<b>30,239</b>	33,056
<b>Total liabilities</b>		<b>48,287</b>	50,726
<b>EQUITY</b>			
Share capital		<b>190,000</b>	190,000
Statutory reserve		<b>5,859</b>	5,859
Investment fair value reserve		<b>1,008</b>	262
Accumulated losses		<b>(194,700)</b>	(190,413)
<b>Total equity</b>		<b>2,167</b>	5,708
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>50,454</b>	56,434
<b>OFF-BALANCE SHEET ITEMS</b>			
Equity of investment account holders		<b>133</b>	136



Abdulfatah Mohd. Rafie Marafie  
Chairman



Mohammed Ahmed Jumaan  
Board Member

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

## INTERIM CONSOLIDATED STATEMENT OF INCOME

Nine month period ended 31 March 2022 (Reviewed)

	Note	Three-months ended 31 March		Nine-months ended 31 March	
		2022	2021	2022	2021
		USD '000	USD '000	USD '000	USD '000
<b>REVENUE</b>					
Income from investment banking services - net		622	61	741	523
Gain / (loss) on sale of investments - net		-	1	-	(20)
Dividend income		203	269	203	794
Rental and other income	13	358	539	1,631	1,993
<b>Total revenue</b>		<b>1,183</b>	<b>870</b>	<b>2,575</b>	<b>3,290</b>
<b>OTHER GAINS</b>					
Fair value gains on investments carried at fair value through income - net		104	-	683	9,727
		<b>1,287</b>	<b>870</b>	<b>3,258</b>	<b>13,017</b>
<b>EXPENSES</b>					
Staff costs		746	896	2,011	2,535
Legal and professional fees		504	536	1,284	1,324
Finance expense		46	1,049	142	3,238
Depreciation		116	146	337	340
Other expenses	14	929	933	3,088	3,099
<b>Total expenses</b>		<b>2,341</b>	<b>3,560</b>	<b>6,862</b>	<b>10,536</b>
<b>(LOSS) / INCOME BEFORE IMPAIRMENT PROVISIONS AND SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURE</b>					
		<b>(1,054)</b>	<b>(2,690)</b>	<b>(3,604)</b>	<b>2,481</b>
Impairment of investments		(43)	(14)	(144)	(4,050)
Provision for credit losses	5	(56)	(2,029)	(457)	(13,599)
Share of loss of associates and joint venture - net		-	-	(82)	(16)
<b>NET LOSS FOR THE PERIOD</b>		<b>(1,153)</b>	<b>(4,733)</b>	<b>(4,287)</b>	<b>(15,184)</b>



Abdulfatah Mohd. Rafie Marafie  
Chairman



Mohammed Ahmed Jumaan  
Board Member

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine month period ended 31 March 2022 (Reviewed)

	<i>Share capital</i> USD '000	<i>Statutory reserve</i> USD '000	<i>Investment fair value reserve</i> USD '000	<i>Foreign currency translation reserve</i> USD '000	<i>Accumulated losses</i> USD '000	<i>Total</i> USD '000
Balance at 1 July 2021	190,000	5,859	262	-	(190,413)	5,708
Movement in equity-type investments at fair value through equity	-	-	746	-	-	746
Net loss for the period	-	-	-	-	(4,287)	(4,287)
<b>Balance at 31 March 2022</b>	<b>190,000</b>	<b>5,859</b>	<b>1,008</b>	<b>-</b>	<b>(194,700)</b>	<b>2,167</b>
Balance at 1 July 2020	190,000	5,859	-	(167)	(174,652)	21,040
Net loss for the period	-	-	-	-	(15,184)	(15,184)
Foreign currency translation difference on investment in an associate	-	-	-	167	-	167
Balance at 31 March 2021	190,000	5,859	-	-	(189,836)	6,023

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine month period ended 31 March 2022 (Reviewed)

	Note	2022 USD '000	2021 USD '000
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		<b>(4,287)</b>	(15,184)
Adjustments for:			
Impairment of investments		144	4,050
Provision for credit losses	5	457	13,599
Share of loss of associates and joint venture - net		82	16
Fair value gains on investments carried at fair value through income - net		<b>(683)</b>	(9,727)
Loss on sale of investments		-	20
Depreciation		337	340
Finance cost on right-of-use asset		125	8
Dividend income		<b>(203)</b>	(794)
Operating losses before changes in operating assets and liabilities		<b>(4,028)</b>	(7,672)
Changes in operating assets and liabilities:			
Investments		1,877	(5,822)
Investment in associates and joint venture accounted under the equity method		-	764
Receivables		1,093	747
Funding to project companies		102	655
Right-of-use asset		<b>(696)</b>	-
Other assets		<b>(3,965)</b>	4,339
Property and equipment		(11)	-
Employee accruals		<b>(105)</b>	130
Islamic financing payables		-	3,219
Ijarah liability		538	-
Other liabilities		<b>(1,899)</b>	1,156
Proceeds from sale of investment		<b>8,185</b>	2,130
Net cash from / (used in) operating activities		<b>1,091</b>	(354)
<b>FINANCING ACTIVITIES</b>			
Murabaha financing to investee company		<b>(839)</b>	346
Rent paid towards right-of-use asset		<b>(180)</b>	(38)
Net cash (used in) / from financing activities		<b>(1,019)</b>	308
Investment fair value reserve		746	-
Foreign currency translation adjustments		-	167
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>818</b>	121
Cash and cash equivalents at beginning of the period		282	505
ECL charged on balances with banks	5	<b>(1)</b>	(1)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>1,099</b>	625
<b>Cash and cash equivalents per the consolidated statement of financial position</b>			
Balances with banks	8	<b>1,099</b>	625

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.



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

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

Nine month period ended 31 March 2022 (Reviewed)

**31 March 2022**

	<u>Movements during the period</u>			<b>Balance at 31 March 2022 USD '000</b>
	<b>Balance at 1 July 2021 USD '000</b>	<b>Fair value movement USD '000</b>	<b>Net income USD '000</b>	
GCC Pre IPO Fund	<b>136</b>	<b>(3)</b>	<b>-</b>	<b>133</b>
Investment in equities				<b>89</b>
Other receivables				<b>44</b>
Balances with banks				<b>-</b>
<b>Total</b>				<b>133</b>

**31 March 2021**

	<u>Movements during the period</u>			<b>Balance at 31 March 2021 USD '000</b>
	<b>Balance at 1 July 2020 USD '000</b>	<b>Fair value movement USD '000</b>	<b>Net Income USD '000</b>	
GCC Pre IPO Fund	<b>1,118</b>	<b>(2)</b>	<b>96</b>	<b>1,212</b>
Investment in equities				<b>963</b>
Other receivables				<b>247</b>
Balances with banks				<b>2</b>
<b>Total</b>				<b>1,212</b>

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 16 form part of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**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 interim condensed 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 4.2.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on 18 September 2022.

**2 FUNDAMENTAL ACCOUNTING ASSUMPTION**

The Group incurred a net loss of USD 4,287 thousand (31 March 2021: net loss of USD 15,184 thousand) during the period ended 31 March 2022, and as of that date, the Group's total liabilities with maturity up to 12 months exceeded its total assets with the same maturity representing a net liquidity gap of USD 18,340 thousand (30 June 2021: USD 20,705 thousand). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

- On 30 November 2020, an EGM was held 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 Group's share register nor has this effect been reflected in these interim condensed financial statements;
- 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 and the previous capital restructure was not reflected in the Group's interim condensed consolidated financial statements due to a resolution approved by shareholders at a subsequent EGM to nullify the effects of these resolutions in favor of a new capital restructuring plan; and
- On 21 April 2022, an EGM was held where it was resolved to adjust Group's capital against its accumulated losses where share capital was proposed to be reduced by USD 189,995 thousand after writing off accumulated losses of USD 190,413 thousand and reducing statutory reserve by USD 418 thousand. Additionally, the EGM also resolved to introduce a strategic investor, Esterad Investment Company B.S.C. (c), as a new shareholder with a contribution of USD 1 million as paid-up capital and acquiring 99.50% ownership of the Group. The impact of this capital restructure will be reflected in the Group's interim condensed consolidated financial statements once MOICT approval is received.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**2 FUNDAMENTAL ACCOUNTING ASSUMPTION (continued)**

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.

On 19 September 2022, the Bank entered into a settlement agreement with one of its creditors to restructure its obligations. The agreement is conditional on the closing of acquisition by the strategic investor which is expected to complete by 31 December 2022.

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 15,901 thousand (30 June 2021: USD 15,232 thousand). In addition to the corporate guarantees, the investee company has also pledged its primary asset to the lender against these obligations. While the depreciated cost of the asset exceeds the outstanding obligation of the investee company, the fair value of the asset is difficult to ascertain due to the operations of the investee company being on halt due to current economic conditions. Management is working on several strategic options to revive the company's operations in order to enhance the value of the company and its assets. 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 3,515 thousand is maintained by the Bank considering the net exposure of the Bank to the company's obligations after accounting for the independent value of the company's operations.

The above capital restructuring process, including acquisition by a strategic investor will enable the Group to continue as a going concern and to settle its obligations to third parties as and when they fall due. Additionally, the shareholders do not have any intention to liquidate the Bank, and these interim condensed 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 31 March 2022.

**3 REGULATORY NON-COMPLIANCE**

The Bank did not comply with the following CBB requirements during the period ended 31 March 2022:

- Total shareholders' equity amounted USD 2,167 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 0.55%, 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 0.15%, 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 4%, 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 0.00%, 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**3 REGULATORY NON-COMPLIANCE (continued)**

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

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

**4 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**4.1 Basis of preparation**

The interim condensed consolidated financial statements for the nine-month period ended 31 March 2022 has been prepared in accordance with the guidance given by International Accounting Standard 34 - "*Interim Financial Reporting*". The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2021. In addition, results for the nine-months ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2022.

The annual consolidated financial statements for the year ended 30 June 2021 were 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. For matters which are not covered by AAOIFI standards, including "*Interim Financial Reporting*", the Group uses International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

**4.2 Basis of consolidation**

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the nine-month period ended 31 March 2022. The audited financial statements of the subsidiaries are prepared using the same annual reporting period ending on 30 June, 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 interim consolidated statement of income and within owners' equity in the interim consolidated statement of financial position, separately from the equity attributable to shareholders of the parent.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 2022 (Reviewed)

**4 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****4.2 Basis of consolidation (continued)**

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

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

The carrying value of these unconsolidated subsidiaries currently classified under Investments as held for sale amounted to USD 1,854 thousand as at 31 March 2022 (30 June 2021: USD 9,698 thousand).

**4.3 Accounting convention**

The interim condensed 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.

**4.4 New and amended standards and interpretations issued but not yet effective**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual audited consolidated financial statements for the year ended 30 June 2021, except for the following new standards and interpretations issued but not yet effective on or after 1 January 2023.

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

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

*FAS 37 Financial Reporting by Waqf Institutions*

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

*FAS 38 Wa'ad, Khiyar and Tahawwut*

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**4 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

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

*FAS 39 - Financial Reporting for Zakah*

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

*FAS 40 - Financial Reporting for Islamic Windows*

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

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

**4.5 Going concern assessment**

As of 31 March 2022, the Group's bank balances amounted to USD 1,099 thousand and there was a short-term maturity mismatch (current liabilities in excess of current assets) of USD 18,340 thousand (30 June 2021: USD 20,705 thousand).

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 interim condensed 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 31 March 2022.

**5 IMPAIRMENT OF FINANCIAL ASSETS**

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**5 IMPAIRMENT OF FINANCIAL ASSETS (continued)***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.

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 and are gross of credit losses allowances:

	<b>31 March 2022 (Reviewed)</b>			
	<b>Stage 1 USD '000</b>	<b>Stage 2 USD '000</b>	<b>Stage 3 USD '000</b>	<b>Total USD '000</b>
<b>Exposures subject to ECL</b>				
Balances with banks	1,100	-	158	1,258
Murabaha financing to investee companies	-	-	2,189	2,189
Wakala contract receivable	-	-	13,341	13,341
Receivables	-	-	8,957	8,957
Funding to project companies	-	3,270	1,236	4,506
Other assets	2,984	1,720	10,200	14,904
	<b>4,084</b>	<b>4,990</b>	<b>36,081</b>	<b>45,155</b>
Guarantees and commitments	3,288	11,220	26,591	41,099
	<b>7,372</b>	<b>16,210</b>	<b>62,672</b>	<b>86,254</b>
	<b>30 June 2021 (Audited)</b>			
	<b>Stage 1 USD '000</b>	<b>Stage 2 USD '000</b>	<b>Stage 3 USD '000</b>	<b>Total USD '000</b>
<b>Exposures subject to ECL</b>				
Balances with banks	282	-	158	440
Murabaha financing to investee companies	-	-	1,350	1,350
Wakala contract receivable	-	-	13,341	13,341
Receivables	-	557	9,493	10,050
Funding to project companies	-	3,295	1,313	4,608
Other assets	150	1,718	9,071	10,939
	<b>432</b>	<b>5,570</b>	<b>34,726</b>	<b>40,728</b>
Guarantees and commitments	4,147	11,390	26,838	42,375
	<b>4,579</b>	<b>16,960</b>	<b>61,564</b>	<b>83,103</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**5 IMPAIRMENT OF FINANCIAL ASSETS (continued)***Stage 3: Lifetime ECL – credit impaired (continued)*

The table below shows the changes in ECL allowances during the period as follows:

	<b>Stage 1: 12- month ECL</b>	<b>Stage 2: Lifetime ECL not credit- impaired</b>	<b>Stage 3: Lifetime ECL credit- impaired</b>	<b>Total</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
<b>Balance at 1 July 2021</b>				
Balances with banks	-	-	(158)	(158)
Murabaha financing to investee companies	-	-	(1,273)	(1,273)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	-	(17)	(7,059)	(7,076)
Funding to project companies	-	(988)	(1,130)	(2,118)
Other assets	-	(1,101)	(8,991)	(10,092)
Guarantees and commitments	(10)	(29)	(15,121)	(15,160)
	<b>(10)</b>	<b>(2,135)</b>	<b>(40,403)</b>	<b>(42,548)</b>
<b>Reversal / (charge) during the period</b>				
Balances with banks	(1)	-	-	(1)
Murabaha financing to investee companies	-	-	(916)	(916)
Wakala contract receivable	-	-	-	-
Receivables	-	17	348	365
Funding to project companies	-	8	(106)	(98)
Other assets	(79)	(31)	(615)	(725)
Guarantees and commitments	2	-	916	918
	<b>(78)</b>	<b>(6)</b>	<b>(373)</b>	<b>(457)</b>
<b>Balance at 31 March 2022</b>				
Balances with banks	(1)	-	(158)	(159)
Murabaha financing to investee companies	-	-	(2,189)	(2,189)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	-	-	(6,711)	(6,711)
Funding to project companies	-	(980)	(1,236)	(2,216)
Other assets	(79)	(1,132)	(9,606)	(10,817)
Guarantees and commitments	(8)	(29)	(14,205)	(14,242)
<b>As at 31 March 2022</b>	<b>(88)</b>	<b>(2,141)</b>	<b>(40,776)</b>	<b>(43,005)</b>

During the nine-month period ended 31 March 2022, an exposure amounting to USD 4 thousand relating to 'Receivables' and USD 89 thousand relating to 'Other assets' have been transferred from stage 2 to stage 3.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**5 IMPAIRMENT OF FINANCIAL ASSETS (continued)***Stage 3: Lifetime ECL – credit impaired (continued)*

	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit-impaired</b>	<b>Stage 3: Lifetime ECL credit-impaired</b>	<b>Total</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
<b>Balance at 1 July 2020</b>				
Balances with banks	(1)	-	(158)	(159)
Murabaha financing to investee companies	-	(570)	(654)	(1,224)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	(59)	(4)	(8,388)	(8,451)
Funding to project companies	-	(1,166)	(931)	(2,097)
Other assets	(203)	(1,310)	(9,065)	(10,578)
Guarantees and commitments	(10)	(940)	-	(950)
	<b>(273)</b>	<b>(3,990)</b>	<b>(25,867)</b>	<b>(30,130)</b>
<b>Reversal / (charge) during the period</b>				
Balances with banks	(1)	-	-	(1)
Murabaha financing to investee companies	-	221	(260)	(39)
Wakala contract receivable	-	-	-	-
Receivables	59	-	156	215
Funding to project companies	-	152	-	152
Other assets	203	80	-	283
Guarantees and commitments	-	912	(15,121)	(14,209)
	<b>261</b>	<b>1,365</b>	<b>(15,225)</b>	<b>(13,599)</b>
<b>Balance at 31 March 2021</b>				
Balances with banks	(2)	-	(158)	(160)
Murabaha financing to investee companies	-	(349)	(914)	(1,263)
Wakala contract receivable	-	-	(6,671)	(6,671)
Receivables	-	(4)	(8,232)	(8,236)
Funding to project companies	-	(1,014)	(931)	(1,945)
Other assets	-	(1,230)	(9,065)	(10,295)
Guarantees and commitments	(10)	(28)	(15,121)	(15,159)
	<b>(12)</b>	<b>(2,625)</b>	<b>(41,092)</b>	<b>(43,729)</b>

**6 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.

**7 RELATED PARTY TRANSACTIONS AND BALANCES**

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Balances with related parties are as follows:

	<b>Reviewed</b> <b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>Audited</i> <i>30 June</i> <i>2021</i> <i>USD '000</i>
<b>Assets:</b>		
Investments	3,335	11,322
Investment in an associate	219	301
Other assets	125	-
<b>Liabilities:</b>		
Employee accruals	741	621
Other liabilities	4,655	4,578
<b>Commitments and contingencies</b>	<b>805</b>	<b>975</b>

Transactions with related parties during the period were as follows:

	<i>Reviewed</i> <i>Nine-months ended</i>	
	<b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>31 March</i> <i>2021</i> <i>USD '000</i>
<b>Revenue</b>		
Dividend income	-	269
<b>Other losses</b>		
Fair value losses on investments carried at fair value through income - net	(143)	(511)
<b>Expenses</b>		
Legal and professional fees	169	168
Finance expense	17	-
Board members and Shariah board fees (other expenses)	274	246
Other expenses	675	255
Provision for credit losses	(8)	(11)
Share of loss of associates and joint venture - net	(82)	(16)

Compensation for key management, including executive officers, comprises the following:

	<i>Reviewed</i> <i>Nine-months ended</i>	
	<b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>31 March</i> <i>2021</i> <i>USD '000</i>
Salaries and other short term benefits	423	401
Post-employment benefits	69	25
	<b>492</b>	<b>426</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**8 BALANCES WITH BANKS**

	<b>Reviewed</b> <b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>Audited</i> <i>30 June</i> <i>2021</i> <i>USD '000</i>
Balances in current and call accounts	<b>1,258</b>	440
Less: ECL provision	<b>(159)</b>	(158)
Net cash and cash equivalents	<b>1,099</b>	282

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

**9 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: 50%) under stage 3 amounting to USD 6,671 thousand (30 June 2020: USD 6,671 thousand).

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

**10 OTHER ASSETS**

	<b>Reviewed</b> <b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>Audited</i> <i>30 June</i> <i>2021</i> <i>USD '000</i>
Advances to acquire investments	<b>6,295</b>	6,295
Project costs recoverable	<b>3,365</b>	2,165
Dividend receivable	<b>444</b>	124
Other receivables	<b>4,800</b>	2,355
	<b>14,904</b>	10,939
Less: ECL provision	<b>(10,817)</b>	(10,092)
	<b>4,087</b>	847

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**11 ISLAMIC FINANCING PAYABLES**

		<i>Reviewed</i> <b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>Audited</i> <b>30 June</b> <b>2021</b> <b>USD '000</b>
<b>Short-term Islamic Wakala payables:</b>	Note		
Wakala payable to financial institution	11.1	<b>13,241</b>	13,241
		<b>13,241</b>	13,241

11.1 The Group is undergoing a legal case to net off the payable amount to a local bank against the Wakala contract receivable from the same party. On 20 May 2021, the BCDR issued a judgement based on which the Bank has been ordered to pay USD 13,391 thousand principal, late payment charges of USD 1,349 thousand, and arbitration costs of USD 789 thousand, for which the Group has not made accruals of USD 2,138 thousand in the interim condensed consolidated financial statements.

**12 OTHER LIABILITIES**

	<i>Reviewed</i> <b>31 March</b> <b>2022</b> <b>USD '000</b>	<i>Audited</i> <b>30 June</b> <b>2021</b> <b>USD '000</b>
Accounts payable	<b>6,071</b>	6,417
Provisions and accruals	<b>461</b>	602
Deferred income	<b>1,154</b>	1,221
Provision against guarantees *	<b>14,242</b>	15,160
Payable under settlement agreement **	<b>8,274</b>	9,261
Other	<b>37</b>	395
	<b>30,239</b>	33,056

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

The amount reported in the Group's interim consolidated statement of financial position sheet related to such claims under other liabilities was USD 14,205 thousand (30 June 2021: USD 15,121 thousand). The Group has partially settled its concluded litigations during the period.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 2022 (Reviewed)

**13 RENTAL AND OTHER INCOME**

	<i>Reviewed</i>	
	<i>Nine-months ended</i>	
	<b>31 March 2022 USD '000</b>	<b>31 March 2021 USD '000</b>
Rental income	983	946
Recoveries of impaired receivables	75	978
Reversal of accruals*	396	-
Other	177	69
	<b>1,631</b>	<b>1,993</b>

\* Reversal of accrued expense mainly relates to Group subsidiaries. Based on management's assessment there is no outstanding liability corresponding to these accruals accordingly the relevant accruals were reversed.

**14 OTHER EXPENSES**

	<i>Reviewed</i>	
	<i>Nine-months ended</i>	
	<b>31 March 2022 USD '000</b>	<b>31 March 2021 USD '000</b>
Office expenses	1,042	1,332
Publicity, conferences and promotion	76	30
Board of directors and Shari'ah supervisory board fees and expenses	281	302
Exchange loss	89	15
Project management costs	1,506	1,330
Other	94	90
	<b>3,088</b>	<b>3,099</b>

**15 COMMITMENTS AND CONTINGENCIES**

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

	<i>Reviewed</i>	<i>Audited</i>
	<b>31 March 2022 USD '000</b>	<b>30 June 2021 USD '000</b>
	Letters of guarantee *	30,704
Commitments to invest	10,395	10,395
	<b>41,099</b>	<b>42,375</b>

\* As at 31 March 2022, the Group has a provision amounting to USD 14.2 million (30 June 2021: 15.1 million) on the outstanding letters of guarantee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

16 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Group as at 31 March 2022 and 30 June 2021:

	31 March 2022 (Reviewed)			
	<i>Equity-type at fair value through income USD '000</i>	<i>Equity-type at fair value through equity USD '000</i>	<i>Amortised cost USD '000</i>	<i>Total USD '000</i>
<b>ASSETS</b>				
Balances with banks	-	-	1,099	1,099
Investments	12,509	13,185	-	25,694
Murabaha financing to investee companies	-	-	-	-
Wakala contract receivable	-	-	6,670	6,670
Receivables	-	-	2,246	2,246
Funding to project companies	-	-	2,290	2,290
Other assets	-	-	3,890	3,890
<b>TOTAL FINANCIAL ASSETS</b>	<b>12,509</b>	<b>13,185</b>	<b>16,195</b>	<b>41,889</b>
<b>LIABILITIES</b>				
Islamic financing payables	-	-	13,241	13,241
Other liabilities	-	-	14,345	14,345
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>27,586</b>	<b>27,586</b>
<b>Off-balance sheet</b>				
Equity of investment account holders	-	89	44	133
	30 June 2021 (Audited)			
	<i>Equity-type at fair value through income USD '000</i>	<i>Equity-type at fair value through equity USD '000</i>	<i>Amortised cost USD '000</i>	<i>Total USD '000</i>
<b>ASSETS</b>				
Balances with banks	-	-	282	282
Investments	21,630	13,384	-	35,014
Murabaha financing to investee companies	-	-	77	77
Wakala contract receivable	-	-	6,670	6,670
Receivables	-	-	2,974	2,974
Funding to project companies	-	-	2,490	2,490
Other assets	-	-	710	710
<b>TOTAL FINANCIAL ASSETS</b>	<b>21,630</b>	<b>13,384</b>	<b>13,203</b>	<b>48,217</b>
<b>LIABILITIES</b>				
Islamic financing payables	-	-	13,241	13,241
Other liabilities	-	-	15,678	15,678
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>28,919</b>	<b>28,919</b>
<b>Off-balance sheet</b>				
Equity of investment account holders	-	92	44	136

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**16 FINANCIAL INSTRUMENTS (continued)**

***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.

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***

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
<b>31 March 2022</b>				
Investments:				
Held for trading	9	-	-	9
Equity-type at fair value through income	-	-	12,500	12,500
Equity-type at fair value through equity	-	-	13,185	13,185
	<b>9</b>	<b>-</b>	<b>25,685</b>	<b>25,694</b>
<b>30 June 2021</b>				
Investments:				
Held for trading	9	-	-	9
Equity-type at fair value through income	-	-	21,621	21,621
Equity-type at fair value through equity	-	-	13,384	13,384
	<b>9</b>	<b>-</b>	<b>35,005</b>	<b>35,014</b>

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 10.5% to 16.34%. 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

**16 FINANCIAL INSTRUMENTS (continued)**

***Fair value hierarchy (continued)***

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 309 thousand, whereas a 10% decrease in the discount rate would increase the fair values by approximately USD 522 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 858 thousand or reduce the fair values by approximately USD 870 thousand respectively.

Investments amounting to USD 13,185 thousand (30 June 2021: USD 13,384 thousand) are carried at fair value through equity that shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

The fair values of the Group's other financial instruments are not significantly different from their carrying values as at 31 March 2022 and 30 June 2021. There were no transfers of financial assets between Level 1, Level 2 and Level 3.