

**INOVEST B.S.C.**

**SHARI'A SUPERVISORY BOARD REPORT,  
REPORT OF THE BOARD OF DIRECTORS,  
INDEPENDENT AUDITORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

**Commercial registration number**

**48848 obtained on 18 June 2002**

**Board of Directors**

Mohammad Hamed Al-Shalfan  
Mohammad Salah Al-Ayoub  
Abdulaziz Asaad Al-Sanad  
Mohamed Abdulwahab Al Matook  
Abdullah Mohammed Al-Abduljader  
Dr. Abdulaziz Fahad Al Dakheel  
Ausama Abdulrahim Al-Khaja

- Chairman  
- Vice-Chairman  
- Director  
- Director  
- Director  
- Director  
- Director

**Chief Executive Officer**

Yaser Hamad Al-jar

**Board Secretary**

Riyadh Mahmood Mulla Ahmed

**Sharia'a Supervisory Board**

Sheikh Dr. Khalid Shuja'a Al-Otaibi  
Sheikh Dr. Dawoud Salman Bin Essa  
Sheikh Dr. Murad Bou Daia

- Chairman  
- Vice-Chairman  
- Member

**Corporate Governance, Nomination and Remuneration Committee members**

Abdulaziz Asaad Al-Sanad  
Abdullah Mohammed Al-Abduljader  
Mohammed Abdulwahab Al Matook

- Chairman  
- Vice-Chairman  
- Member

**Audit and Risk Committee members**

Ausama Abdulrahim Al-Khaja  
Mohammad Salah Al-Ayoub  
Dr. Abdulaziz Fahad Al Dakheel

- Chairman  
- Vice-Chairman  
- Member

**Registered head office**

35th floor, East Tower  
Bahrain Financial Harbour  
P.O. Box 18334  
Manama  
Kingdom of Bahrain  
Telephone no. +973 1715 5777

**Bankers**

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

**Auditors**

Ernst & Young (EY)  
P.O. Box 140  
10th Floor, East Tower  
Bahrain World Trade Center  
Manama, Kingdom of Bahrain

**Share registrars**

Bahrain Clear  
Bahrain Financial Harbour, Harbour Gate,  
Level 4, P.O.Box 3203  
Manama  
Kingdom of Bahrain  
  
Kuwait Clearing Company S.A.K.  
P.O. Box 22077  
Safat 13081  
State of Kuwait

In the name of Allah, The Beneficent, The Merciful

**Sharia Supervisory Board Report on the activities of INOVEST Company B.S.C  
For the twelve Months Period Ended 31 December 2021**

All praise is due to Allah , Lord of the worlds, Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

To the Shareholders of INOVEST B.S.C **"the Company"**,  
Acting as Sharia Supervisory Board **"SSB"** pursuant to the appointment resolution passed by the General Assembly of the Company and SSB meeting on Monday 14 February 2022 in State of Kuwait, we are required to provide the following report:

The SSB has reviewed the Company's principles, contracts related transactions, and applications submitted by the Company's management for the twelve months period ended 31 December 2021 , and based on the Sharia auditor presentation of the Company's activities for the abovementioned period, and comparing it with the fatwa and rulings issued.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with the Islamic Shari'a Rules and principles. It is our responsibility to form an independent opinion, based on our review of the Company's operations and to report to you.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated Islamic Shari rules and principles.

In our opinion:

The contracts and transactions concluded by the Company during the Twelve months period ended 31 December 2021 that we have reviewed are in compliance with the Islamic Shari'a Rules and Principles.

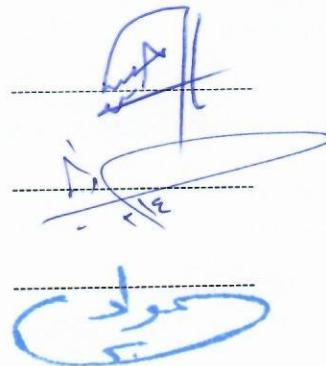
Also, the SSB has approved the financial statements and concluded that it's prepared in an acceptable form from Islamic Sharia view. The respective report has been prepared based on the information provided by the Company.

Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

**Shaikh Dr. Khalid Shuja'a Al-Otaibi**  
Chairman

**Shaikh Dr. Dawoud Salman Bin Essa**  
Vice-Chairman

**Shaikh Dr. Murad Bou Daia**  
Member





## Chairman's Report For the year ended, 31<sup>st</sup> December 2021

**In the name of Allah, Most Gracious, Most Merciful**

On behalf of myself and the members of the Board of Directors, I am pleased to present the Group annual report for the financial year ended on 31<sup>st</sup> of December 2021.

### **Overall Group Performance**

It is well noted that in the midst of challenges and difficult disruptions, the opportunity for change arises, both on an individual and institutional level; it allows for internal assessment and external evaluation; it is in fact an opportunity to set one's course if not explore new directions. The COVID pandemic proved initially to be a global disruption, however, it also proved an opportunity for INOVEST to take stock of its position, to improve operationally and administratively, and to gear up for both the opportunities and quite likely the challenges within the years to come. And so, we close on a second year of an unprecedented pandemic, with INOVEST remaining on track, having evaluated, re-assessed, and prepared for a new cycle of development and growth.

To delve on a more detailed level, despite the challenges that the world faced with the continued impact of the COVID 19 pandemic, INOVEST was still able to deliver another profitable year. INOVEST delivered a consolidated net profit attributable to parent shareholders of US\$746 thousand, and a Basic and Diluted Earnings Per Share of the parent company of US cents 0.25. The total operating income for 2021, stood at US\$ 5.57 million, a 38% decline from the US\$ 8.99 million recorded in 2020, due in large to a decline in revenues in the Group's construction and the real estate investments; we see this as a repercussion of the COVID 19 pandemic which throughout 2021 whittled away at both public and private construction project flow, and saw in addition, the decline of occupancy in existing real estate projects. Having said this, the first glimmers of revival are apparent, we witnessed this within our key subsidiary and contracting arm Tamcon which received winning bids for substantial new developments, as disclosed below, as well as a gradual improvement in occupancy within our real estate asset portfolio. Operating expenses also saw an improvement, dropping by 17% as a result of Group-wide stringent controls. Accordingly, and based on the positive developments detailed below, INOVEST's share price recorded new and record high levels of performance, all of which ultimately pours into an increase in shareholder value.

As noted, INOVEST used much of this year to consistently take stock, to evaluate, to assess and to strengthen its position where needed. Accordingly, across its investment portfolio, as well as administratively, several milestone developments took place. First and foremost, INOVEST disclosed entry into a sizeable agreement for the development of Dannat Resort via an agreement between First Gulf Real Estate Company (FGREC), in which INOVEST is a major investor, and Sumou Holding, a Saudi based mega-developer. This agreement will see the raw spaces of Dannat Resort dredged, reclaimed, and full infrastructural works developed as well as sales and marketing of a real estate properties within a highly sought-after area. Ultimately, this presents the starting point and markings of clear roadmap towards the Group's exit from a major investment. Within the company's subsidiaries, Tamcon Contracting has staked an ever-growing position as a key local contracting company having won tenders with a total value of over US\$ 70 million, all of which cements the strength of the Group position over the coming years. BIW Labour Accommodations have also seen expansion, as the project furthered work on 6 new buildings, and on additional floors within the existing properties, as well as the completion and introduction of a set of retail outlets concept to serve residents of BIW LAC community. Within our storage and logistics investments, Takhzeen has maintained consistent growth, proving the resilience of the sector within unprecedented times. This has compelled the Group to assess the prospect of expansion within the country and beyond the boundaries of the Kingdom of Bahrain. Within its newer investments, such as Advanced Projects Group Holding WLL, which is the only specialized regional manufacturer of Wood Plastic Composite (WPC) products, the company witnessed 3-fold growth and record sales reaching KD 1.3 million despite extraordinary market conditions and pandemic-driven lockdowns. Accordingly, AIM has expanded its existing facility, and has further commissioned a new manufacturing 13,000 sq ft plant. By all counts, we expect to see solid and organic growth continue within this investment. The Group also successfully managed and closed a number of key legal and operational issues which played a pivotal role in supporting the Group's financial position as well as laying the foundations for the next phase of growth and development.

### **Future Outlook**

We are hopeful that the more serious business and societal challenges of the Covid pandemic are now well accounted for, if not hopefully, behind us. Our focus and the way forward will be defined by three principles:

resilience, reorganization, and renewal. These will be the underlying tone of our new strategic cycle at a Group wide level, and of the sustainability and growth we expect as a result of its implementation. We look forward to updating you on it, in due course. What we do know, and what will remain unchanged is that INOVEST will stay true to and be guided by its mandate and principles of standing amongst the ranks of leading investment organizations within the region.

## In Closing

In my capacity as Chairman of INOVEST, and on behalf of my colleagues the members of the Board of Directors, we take this opportunity to extend our appreciation and thanks to our shareholders, for their ongoing support. Additionally, we thank our investors, partners, and all our stakeholders for their belief and dedication; of particular reference are the Central Bank of Bahrain and Ministry of Industry, Commerce, and Tourism for their consistent support. We would also like to recognize the executive team and all our staff members within the Group who have performed exceptionally while adjusting to the disruption of their working lives, and of normal life in general. We are grateful for the efforts of our team as a whole. We pray to Almighty Allah to protect the Kingdom of Bahrain under the wise leadership of His Majesty King Hamad bin Isa Al Khalifa and ask Almighty Allah to guide and support us and pave our way to achieving continued success.

As part of the Group's commitment to maintaining transparency with our esteemed shareholders, we enclose below the Board of Directors and executive management's remuneration for the year ended December 31st, 2021.

Name	Fixed remunerations				
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total
<b>First: Independent Directors:</b>					
1. Mohammad Al-Shalfan	-	3,710	-	-	3,710
2. Abdullah Al-Abduljader	-	1,200	-	-	1,200
3. Ausama Abdulrahim Al-Khaja	-	1,800	-	-	1,800
4. Mohamed Al Matook	-	2,450	-	-	2,450
5. Dr. Abdulaziz Al Dakheel	-	3,045	-	-	3,045
6. Dr.Omar Salem Al Mutawa**	10,000	450	-	-	10,450
7. Meshari Fuad Al Fozan **	5,000	450	-	-	5,450
8. Khaled Abdulaziz Al Ghanem**	5,000	450	-	-	5,450
9. Meshal Yousef Al Zayed**	5,000	450	-	-	5,450
10. Bashar Naser Al Tuwaijri	5,000	450	-	-	5,450
<b>Second: Executive Directors:</b>					
1. Abdulaziz Asaad Al-Saad	-	3,290	-	-	3,290
2. Mohammad Salah Al-Ayoub	--	2,450	-	-	2,450
3. Abdulrahman Al Neseif**	5,000	450	-	-	5,450
4. Yaqoub Yousef Bandar **	5,000	600	-	-	5,600
<b>Total</b>	<b>40,000</b>	<b>21,245</b>	<b>-</b>	<b>-</b>	<b>61,245</b>

**Note:** All amounts must be stated in Bahraini Dinars.

\* It includes in-kind benefits – specific amount - remuneration for technical, administrative, and advisory works (if any).

\*\* Board of Directors whose Board membership term ended in 2021.

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	340,706			340,706

**Note:** All amounts must be stated in Bahraini Dinars.

\*The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc)

\*\*The company's highest financial officer (CFO, Finance Director, ...etc)

On behalf of the Board of Directors,

Mohammed Hamed Al Shalfan  
Chairman

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C.**

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the accompanying consolidated financial statements of Inovert B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the related consolidated statements of income, cash flows, changes in owner's equity, and sources and uses of charity fund for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and the consolidated results of the operations, its cash flows, changes in owner's equity and sources and uses of charity fund for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

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

#### *Basis for opinion*

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

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material judgment of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C. (continued)

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

#### Key audit matters (continued)

<b>1. Allowance for expected credit losses</b>	
<b>Refer to notes 3, 4, 5 &amp; 6</b>	
<b>Key audit matter / risk</b>	<b>How the key audit matter was addressed in the audit</b>
<p>The Group's gross receivables as of 31 December 2021 amounts to US\$ 43.88 million and the related allowance for expected credit losses amounts to US\$ 23.47 million.</p> <p>The Group applied the simplified approach to measuring Expected Credit Losses (ECL) on receivables as allowed by FAS 30. The determination of the ECL allowance for receivables involves estimates and assumptions in relation to loss rates based on past history of defaults, existing market conditions, segmentation of customers based on credit characteristics as well as forward looking estimates.</p> <p>Due to the significance of receivables and subjectivity involved in the determination of ECL, this is considered as a key audit matter.</p>	<p>Our audit procedures included, among others:</p> <p>Testing the accuracy of ageing of receivables.</p> <p>Assessing the appropriateness of segmentation of receivables of customers based on credit characteristics.</p> <p>Assessing the Group's ECL allowance process including reasonableness of the inputs used.</p> <p>Assessing the adequacy of the disclosures in relation to receivables and allowance for ECL.</p>

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C. (continued)

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

#### Key audit matters (continued)

<b>2. Valuation of Investments</b>	
<b>Refer to notes 3, 4, 7, 8 &amp; 9</b>	
<b>Key audit matter / risk</b>	<b>How the key audit matter was addressed in the audit</b>
<p>The Groups investments comprise of:</p> <ul style="list-style-type: none"> <li>i) Equity-type instruments at fair value through equity ("FVTE");</li> <li>ii) Investments in real estate; and</li> <li>iii) Investment in joint venture and associates</li> </ul> <p>The above investments represent 77% of the Group's total assets. The valuation of investments involves complex accounting requirements, including assumptions, estimates and judgements underlying the determination of fair values.</p> <p>The Covid-19 pandemic is expected to impact the valuations of investments. The assumptions about the economic outlook are more uncertain which increases the level of judgement required by the Group in calculating the fair values, and the associated audit risk.</p>	<p>Our audit procedures included, among others, the following:</p> <p>Understanding the process of valuations of investments for the purpose of assessing changes in fair value of investments or impairment assessment.</p> <p>Obtaining independent external valuation reports and assessing the appropriateness of the valuation methods and assumptions taken by the valuers.</p> <p>Involved internal valuation specialists to evaluate the valuations performed for a sample of investments.</p> <p>We assessed the adequacy of the Group's disclosures in relation to these investments by reference to the requirements of the relevant accounting standards.</p>



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C. (continued)**

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

#### *Other information included in the Group's 2021 Board of Director's Report*

Other information consists of the information included in the Chairman's statement and the Shari'a Supervisory Board report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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

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

#### *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 AAOIFI and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C. (continued)**

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

#### *Auditor's responsibilities for the audit of the consolidated financial statements (continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INOVEST B.S.C. (continued)**

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

#### *Auditor's responsibilities for the audit of the consolidated financial statements (continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

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

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
- c) except for what has been reported in note 1 to the consolidated financial statements, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, or the terms of the Company's memorandum and articles of association having occurred during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



Auditor's Registration No: 45  
22 February 2022  
Manama, Kingdom of Bahrain

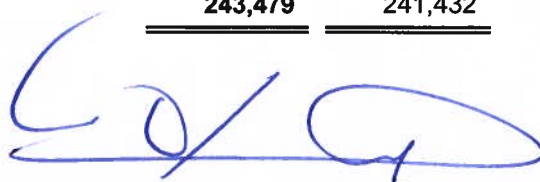
**INOVEST B.S.C.**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

	Note	2021 US\$ '000	2020 US\$ '000
<b>ASSETS</b>			
Cash and bank balances	5	26,376	23,399
Accounts receivable	6	20,411	23,072
Investments	7	12,964	12,593
Investment in joint ventures and associates	8	95,048	95,681
Investments in real estate	9	79,524	76,824
Property, plant and equipment	10	8,361	9,045
Right of use asset	11	264	-
Other assets	12	531	818
<b>TOTAL ASSETS</b>		<b>243,479</b>	<b>241,432</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Other liabilities and accounts payable	13	69,123	69,263
Ijarah liability	14	274	-
Financing from a bank	15	5,757	5,439
<b>Total liabilities</b>		<b>75,154</b>	<b>74,702</b>
<b>Owners' Equity</b>			
Share capital	16	120,334	120,334
Less: Treasury shares	16	(1,309)	(1,309)
		<b>119,025</b>	<b>119,025</b>
Reserves	17	6,864	6,071
Retained earnings		17,198	16,527
Equity attributable to Parent's shareholders		<b>143,087</b>	<b>141,623</b>
Non-controlling interest		<b>25,238</b>	<b>25,107</b>
<b>Total owners' equity</b>		<b>168,325</b>	<b>166,730</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>243,479</b>	<b>241,432</b>



 Mohamed Al-Shalfan  
Chairman



 Mohamed Al-Ayoub  
Vice Chairman



 Yaser Hamad Al-Jar  
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

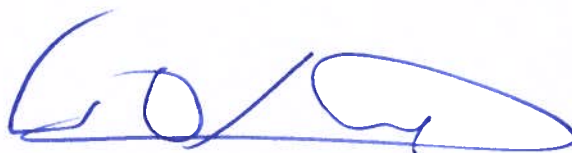
**INOVEST B.S.C.**
**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2021

	Note	2021 US\$ '000	2020 US\$ '000
<b>OPERATING INCOME</b>			
Net income from construction contracts	19	410	3,066
Income from investment in real estate	20	3,140	4,860
Loss from investments	21	(24)	(1,948)
Fee from management and other services	22	1,121	1,411
Net share of loss from investment in joint ventures and associates	8	(223)	(599)
Other income	23	1,144	2,196
<b>TOTAL OPERATING INCOME</b>		<b>5,568</b>	<b>8,986</b>
<b>OPERATING EXPENSES</b>			
Staff costs	24	4,023	4,858
General and administrative expenses	25	2,384	2,710
Property related expenses		1,352	2,179
Depreciation	10	728	872
Financing costs		350	157
Net Ijarah cost	26	75	-
<b>TOTAL OPERATING EXPENSES</b>		<b>8,912</b>	<b>10,776</b>
<b>NET OPERATING LOSS</b>		<b>(3,344)</b>	<b>(1,790)</b>
Net reversal of provision for expected credit loss	5 & 6	414	6,371
Net movement in provision for case compensation and other contingencies	13	3,807	1,109
<b>PROFIT FOR THE YEAR</b>		<b>877</b>	<b>5,690</b>
<b>Attributable to :</b>			
Equity shareholders of the Parent		746	5,026
Non-controlling interest		131	664
		<b>877</b>	<b>5,690</b>
<b>BASIC AND DILUTED EARNINGS</b>			
<b>PER SHARE (US\$ cents)</b>	27	<b>0.25</b>	<b>1.69</b>



 Mohamed Al-Shalfan  
Chairman



 Mohamed Al-Ayoub  
Vice Chairman



 Yaser Hamad Al-Jar  
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

**INOVEST B.S.C.**
**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

For the year ended 31 December 2021

	<i>Equity attributable to Parent's shareholders</i>				<i>Retained earnings</i> US\$ '000	<i>Total equity</i> US\$ '000	<i>Non-controlling interest</i> US\$ '000	<i>Total owners' equity</i> US\$ '000
	<i>Share capital</i> US\$ '000	<i>Treasury shares</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>Reserves</i>				
				<i>Fair value through equity reserve</i> US\$ '000				
At 1 January 2021	120,334	(1,309)	4,576	1,495	16,527	141,623	25,107	166,730
Profit for the year	-	-	-	-	746	746	131	877
Other comprehensive income for the year (17 b)	-	-	-	718	-	718	-	718
Transfer to statutory reserve	-	-	75	-	(75)	-	-	-
<b>At 31 December 2021</b>	<b>120,334</b>	<b>(1,309)</b>	<b>4,651</b>	<b>2,213</b>	<b>17,198</b>	<b>143,087</b>	<b>25,238</b>	<b>168,325</b>
At 1 January 2020	114,604	(1,239)	4,073	-	20,529	137,967	24,609	162,576
Impact of adopting FAS 30	-	-	-	-	(2,855)	(2,855)	(166)	(3,021)
Restated balance at 1 January 2020	114,604	(1,239)	4,073	-	17,674	135,112	24,443	159,555
Appropriation to charity funds	-	-	-	-	(10)	(10)	-	(10)
Bonus shares issued as dividend	5,730	(70)	-	-	(5,660)	-	-	-
Profit for the year	-	-	-	-	5,026	5,026	664	5,690
Other comprehensive income for the year (17 b)	-	-	-	1,495	-	1,495	-	1,495
Transfer to statutory reserve	-	-	503	-	(503)	-	-	-
At 31 December 2020	120,334	(1,309)	4,576	1,495	16,527	141,623	25,107	166,730

The attached notes 1 to 34 form part of these consolidated financial statements.



**INOVEST B.S.C.****CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY  
FUND**

For the year ended 31 December 2021

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
<b>Sources of charity funds</b>		
Undistributed charity funds at the beginning of the year	<b>24</b>	14
Contributions made by the Company	-	10
<b>Undistributed charity funds at 31 December</b>	<b>24</b>	24

The attached notes 1 to 34 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	<i>Note</i>	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		<b>877</b>	5,690
Adjustments for:			
Depreciation	10	<b>966</b>	1,022
Net reversal of provision for expected credit loss	5 & 6	<b>(414)</b>	(6,371)
Net movement in legal provisions		<b>(4,283)</b>	-
Net share of loss from investment in joint ventures and associates	8	<b>223</b>	599
Net ijarah cost	26	<b>75</b>	-
Impairment loss on investment at fair value through equity	21	<b>24</b>	1,954
Loss on sale of investment in real estate	20	<b>-</b>	157
		<b>(2,532)</b>	3,051
Net changes in operating assets and liabilities:			
Short-term deposits			
(with an original maturity of more than 90 days)		<b>(1,922)</b>	9,280
Accounts receivable		<b>3,094</b>	(908)
Other assets		<b>287</b>	(297)
Other liabilities and accounts payable		<b>4,143</b>	(6,116)
Ijarah payment		<b>(65)</b>	-
Net cash from operating activities		<b>3,005</b>	5,010
<b>INVESTING ACTIVITIES</b>			
Purchase of investment in a joint venture and associates	8	<b>-</b>	(9,265)
Additional capitalisation of investment in real estate	9	<b>(2,700)</b>	(1,776)
Proceeds from sale of investment in real estate - net		<b>-</b>	2,197
Proceeds from capital reduction for investments		<b>323</b>	-
Distributions received from a joint venture and associates	8	<b>410</b>	372
Purchase of property, plant and equipment	10	<b>(282)</b>	(85)
Net cash used in investing activities		<b>(2,249)</b>	(8,557)
<b>FINANCING ACTIVITIES</b>			
Net movement in financing from a bank	15	<b>318</b>	(947)
Net cash from / (used in) financing activities		<b>318</b>	(947)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>1,074</b>	(4,494)
Cash and cash equivalents at the beginning of the year		<b>17,568</b>	22,062
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	5	<b>18,642</b>	17,568
<b>Non cash transactions comprise:</b>			
Changes in investment fair value reserve	17	<b>718</b>	1,495
Contributions by the Company towards charity funds		<b>-</b>	(10)
Impact of first time adoption of FAS 30		<b>-</b>	(3,021)

The attached notes 1 to 34 form part of these consolidated financial statements.

**1 CORPORATE INFORMATION AND ACTIVITIES****a) Incorporation**

Inovest B.S.C. (the "Company") is a public shareholding company incorporated in the Kingdom of Bahrain on 18 June 2002 and operates under Commercial Registration (CR) number 48848. The Company commenced operations on 1 October 2002. Under the terms of its Memorandum and Articles of Association, the duration of the Company is 50 years, renewable for further similar periods unless terminated earlier by law or as stated in the Memorandum and Articles of Association. The address of the Company's registered office is 35th floor, East Tower, Bahrain Financial Harbour, Manama, Kingdom of Bahrain.

The Company is listed on the Bahrain Bourse and cross-listed on the Kuwait Stock Exchange.

The Company operates under an Investment Business Firm License – Category 1 (Islamic Principles) issued by the Central Bank of Bahrain ("CBB"), to operate under the Islamic Shari'a principles, and is supervised and regulated by the CBB.

**b) Activities**

The principal activities of the Company together with its subsidiaries (the "Group") include:

- Engaging directly in all types of investments, including direct investment and securities, and various types of investment funds;
- Establishing and managing various investment funds;
- Dealing in financial instruments in the local, regional and international markets;
- Providing information and studies related to different types of investments for others;
- Providing financial services and investment consultations to others;
- Establishing joint ventures with real estate, industrial and services companies inside or outside the Kingdom of Bahrain;
- Engaging in contracting activities;
- Engaging in the management of commercial and industrial centers and residential buildings, property leasing, development and their maintenance; and
- Having interest in or participating in any way with companies and other entities engaged in similar activities that may work and co-operate to achieve the Group's objectives inside and outside the Kingdom of Bahrain, and also merge its activities with the above mentioned entities and/or buy or join with them.

Although the Company has an Investment Business Firm License – Category 1 (Islamic Principles) issued by the CBB in September 2008, it continues to hold real estate assets and related revenues and costs in its consolidated financial statements. These assets existed prior to obtaining the license from the CBB. The Company has transferred its entire real estate assets and the related revenues and costs to its fully owned subsidiary, Al Khaleej Development Co. W.L.L., which primarily carries out real estate and construction related activities. Since Al Khaleej Development Co. W.L.L. is fully owned by the Company, the real estate assets and revenues and costs continue to appear in the consolidated financial statements of the Group for the year ended 31 December 2021. The respective notes in these consolidated financial statements reflect the Group's transactions arising from holding of real estate assets and their corresponding liabilities and revenues and costs arising therefrom.

**Impact of Covid-19**

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterised as a pandemic. As a result, businesses have subsequently seen reduced customer movements and, where governments mandated, temporary suspension of travel and closure of non-essential businesses. The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. Although these developments have not significantly impacted the Group's operations as of 31 December 2021, the scale and duration of these developments remain uncertain at this stage and could potentially negatively impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

As at 31 December 2021

## **1 CORPORATE INFORMATION AND ACTIVITIES (continued)**

### **b) Activities (continued)**

#### ***Impact of Covid-19 (continued)***

Total other income of US\$ 1,144 thousand (2020: US\$ 2,196 thousand) includes government grant received towards salary of Bahraini employees from January to December 2021 of US\$ 161 thousand (2020: US\$ 653 thousand) and electricity charges of US\$ 87 thousand (2020: US\$ 313 thousand).

The number of staff employed by the Group as at 31 December 2021 was 357 employees (31 December 2020: 394 employees).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 22 February 2022.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the CBB, Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6), CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the terms of the Company's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

### **2.2 Accounting convention**

The consolidated financial statements have been prepared on a historical cost basis, except for investment in a joint venture and associates which are equity accounted, equity-type instruments at fair value through equity ("FVTE") and investment in real estate that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ("US Dollars") being the reporting currency of the Group. All values are rounded to the nearest US Dollar thousands unless otherwise indicated. However the functional currency of the Group is Bahraini Dinars ("BD").

### **2.3 Basis of consolidation**

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

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

Subsidiary is fully consolidated from the date control is transferred to the Company and continues to be consolidated until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in a subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**2 BASIS OF PREPARATION (continued)****2.3 Basis of consolidation (continued)**

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Sale of participations to non-controlling interests result in a gain or loss that is recognised in the consolidated statement of income. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

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

<i>Name of the subsidiary</i>	<b>Ownership 2021</b>	<i>Ownership 2020</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Activity</i>
<b>Held directly by the Company</b>					
Al Khaleej Development Co. W.L.L.	<b>100.00%</b>	100.00%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties

The following are the subsidiaries held indirectly through Al Khaleej Development Co. W.L.L.:

<b>Held indirectly by the Company</b>					
Bahrain Investment Wharf B.S.C. (c)	<b>100.00%</b>	100.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial centers, residential buildings and property
Tamcon Contracting Co. W.L.L. (c)	<b>100.00%</b>	100.00%	Kingdom of Bahrain	2007	Contracting activities
Dannat Resort Development Company Limited	<b>67.57%</b>	67.57%	Cayman Islands	2008	Managing and Development of Real Estate Projects
Tamcon Trading W.L.L.	<b>100.00%</b>	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its spare parts and sale of building materials.
Eresco Tamcon JV B.S.C. (c) *	<b>100.00%</b>	100.00%	Kingdom of Bahrain	2014	Construction and maintenance of villas.
Panora Interiors W.L.L.	<b>100.00%</b>	100.00%	Kingdom of Bahrain	2015	Carpentry and joinery works.
BIW Labour Accommodation Co W.L.L.	<b>60.21%</b>	60.21%	Kingdom of Bahrain	2007	Buying, selling and management of properties.

**\* ERESO Tamcon JV B.S.C (c)**

During 2014 Tamcon Contracting Co. B.S.C. (c) ("Tamcon") entered into a joint venture agreement with Enma Real Estate Company ("ERESCO") incorporating a new company namely ERESO Tamcon JV B.S.C (c). As per the terms of the arrangement the paid-up share capital of the joint venture is BD 250,000 consisting of 250,000 shares of BD 1 each, out of which 125,000 shares i.e. 50% are held by ERESO and 125,000 shares are held by Tamcon i.e. 50% as per the registration details. However, the entire share capital was paid by Tamcon. Further, the joint venture partners subsequently amended the terms of the arrangement via an agreement and the key responsibilities assigned to Tamcon are as follows:

## 2 BASIS OF PREPARATION (continued)

### 2.3 Basis of consolidation (continued)

#### \* ERESKO Tamcon JV B.S.C (c) (continued)

- 1 Providing financing to the Project including providing guarantees and required insurance as deemed appropriate;
- 2 Providing technical and administrative management for the Project;
- 3 Liable for payment of salaries and benefits including compensating them for anything relating to their rights;
- 4 Sub-contracting and coordinating with sub-contractors, including monitoring and taking corrective actions with respect to their progress relating to sub-contracted activities;
- 5 Completing all activities related to the Project with all relevant Government authorities and private sector;
- 6 Liable to pay for insurance, taxes and fines imposed by any party relating to the project;
- 7 Provide all required guarantees for the Project;
- 8 Performance of all activities and is responsible for all the obligations relating to the Project from all aspects including facilitating and elimination of any issues through out the Project and provide anything necessary from the date of contracting until the date of completion and hand over, without any problems to the owners of the Project;
- 9 ERESKO has the right to end the agreement at its own will and discretion solely without any condition / restriction / legal requirements and without the need to obtain any legal approval;
- 10 Obligated to provide the agreement to any parties financing the Project;
- 11 Agrees to pay 1.5% of the contract value to ERESKO and the payment is to be made upon receipt of any instalment relating to the Project. Further, the percentage will also be applied to any increase in the contract value which is in compensation for ERESKO's expertise and contributions through their representatives; and
- 12 Relieves ERESKO from any obligations related to the Project and ERESKO does not guarantee neither support any obligation with respect to the Project contract.

Subsequently an agreement was also signed on 11 November 2015 between Tamcon Contracting and ERESKO, which states that the later will not have any right in the share of assets and profits of ERESKO Tamcon JV B.S.C. (c).

Considering the key terms of the above arrangement and despite the legal form, ERESKO Tamcon JV B.S.C. (c) is deemed to be fully controlled by Tamcon and is therefore consolidated as a 100% owned subsidiary.

### 2.4 New standards, amendments and interpretations issued but not yet effective

Standards, interpretations and amendments to existing standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group reasonably expects these issued standards, interpretations and amendments to existing standards to be applicable at a future date. The Group intends to adopt these standards, interpretations and amendments to existing standards, if applicable, when they become effective:

- FAS 37 "Financial Reporting by Waqf Institutions" (effective 1 January 2022)  
The standard establishes principles of financial reporting by Waqf financial institutions, which are established and operated in line with Shari'ah principle and rules.



As at 31 December 2021

**2 BASIS OF PREPARATION (continued)****2.4 New standards, amendments and interpretations issued but not yet effective (continued)**

- FAS 38 Wa'ad, Khiyar and Tahawwut (effective 1 January 2022)  
The standard prescribes the accounting and reporting principles and requirements for Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for the institutions.

The Group's management are currently assessing the impact of the above standards, interpretations and amendments on the consolidated financial statements of the Group.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Cash and cash equivalents**

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash in hand, bank balances and short term deposits with an original maturity of three months or less.

**b. Accounts receivable**

Accounts receivables are financial assets with fixed or determinable payment that are not quoted in active market. After initial measurement, such financial assets are subsequently measured at amortised cost, less impairment. The losses arising from impairment are recognised in the consolidated statement of income as provision for impairment for receivables.

**c. Investments**

Investments comprise equity-type instruments at fair value through equity, investment in real estate and investment in a joint venture and associates.

*Equity-type instruments at fair value through equity*

This includes all equity-type instruments that are not fair valued through consolidated statement of income. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealized gains or losses recognised in owners' equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognised in consolidated statement of income.

*Investment in real estate*

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment in real estate are re-measured at fair value and changes in fair value (only gains) are recognised through the consolidated statement of owners' equity.

Losses arising from changes in the fair values of investment in real estate are recognised in the consolidated statement of income. When the property is disposed of, the gains or losses arising on disposal is taken to the consolidated statement of income.

*Investment in joint ventures and associates*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****c. Investments (continued)***Investment in joint ventures and associates (continued)*

Under the equity method, investment in a joint venture and associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the joint venture and associates. The consolidated statement of income reflects the Group's share of the results of operations of the joint venture and associates. Where there has been a change recognised directly in the equity of the joint venture and associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture and associates are eliminated to the extent of the interest in the joint venture and associates.

The reporting dates of the joint venture and associates and the Group are identical and the joint venture's and associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

**d. Fair values**

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

**e. Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation on premises and equipment is provided on a straight-line basis over the following estimated useful lives:

Building on leasehold land	25 years
Machinery, equipment, furniture and fixtures	3-5 years
Computer hardware and software	3 years
Motor vehicles	3 years

As at 31 December 2021

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****f. Other liabilities and accounts payable**

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**g. Financing from a bank**

Financing from a bank is recognised initially at the proceeds received, net of transaction cost incurred. Subsequently, these are carried at amortised cost.

**h. Treasury shares**

Own equity instruments which are reacquired (treasury shares) are deducted from the equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in the equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

**i. Derecognition of financial assets and financial liabilities***(i) Financial assets*

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**j. Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and reliably measurable. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

**k. Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment for financial assets.

**l. Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**m. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****m. Revenue recognition (continued)***(i) Income from investment in real estate*

Rental income arising from operating leases on investment in real estate is accounted for on a straight-line basis over the lease terms and is included under revenue in the consolidated statement of income due to its operating nature.

*(ii) Fee from management and other services*

Fee from management and other services and project management fees are recognised based on the stage of completion of the service at the consolidated statement of financial position date by reference to the contractual terms agreed between the parties.

*(iii) Income from investments*

Income from investments is recognised when earned.

*(iv) Income from construction contracts*

Contract income is recognised under the percentage of completion method.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of physical completion of the contract. Contract income and costs are recognised as income and expenses in the consolidated statement of income in the accounting year in which the work is performed. The contract income is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of income, expenses and profit which can be attributed to the proportion of work completed. Profits expected to be realised on construction contracts are based on estimates of total income and cost at completion.

When the outcome of a construction contract cannot be estimated reliably, the contract income is recognised to the extent of contract costs incurred up to the year end where it is probable those costs will be recoverable. Contract costs are recognised when incurred. The excess of progress billings over contract costs is classified under trade and other payables as due to customers for construction contracts.

Losses on contracts are assessed on an individual contract basis and if estimates of cost to complete the construction contracts indicate losses, provision is made for the full losses anticipated in the period in which they are first identified.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or loss exceeds the progress billings, the balance is shown under trade and other receivables as due from customers for construction contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or loss, the balance is shown under trade and other payables as due to customers for construction contracts.

**n. Shari'a Supervisory Board**

The Group's business activities are subject to the supervision of a Shari'a Supervisory Board who are appointed by the general assembly.

**o. Earnings prohibited by Shari'a**

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

**p. Foreign currencies**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into United States Dollars at functional currency rates of exchange prevailing at the statement of financial position date. Any gains or losses are recognised in the consolidated statement of income.

As at 31 December 2021

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****q. Employees' end of service benefits**

Bahraini employees are covered by the Social Insurance Organisation scheme which comprises a defined contribution scheme to which the Group contributes a monthly sum based on a fixed percentage of the salary. The contribution is recognised as an expense in the consolidated statement of income.

The Group provides end of service benefits to its non-Bahraini employees. Entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits which comprise a defined benefit scheme are accrued over the period of employment based on the notional amount payable if all employees had left at the statement of financial position date.

**r. Impairment of financial assets**

Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors.

In the case of equity-type instruments at FVTE, impairment is reflected directly as write down of the financial asset. Impairment losses on equity-type instruments at fair value through equity are not reversed through the consolidated statement of income, while any subsequent increase in their fair value are recognised directly in owners' equity.

**s. Events after the statement of financial position date**

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed as of the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment to the consolidated financial statements.

**t. Zakah**

Individual shareholders are responsible for payment of Zakah.

**u. Lease rent payables**

The lease rent payables is carried at the actual cost of the lease payable to the MOICT, in accordance with Shari'a principles.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 New standards, interpretations and amendments**

These consolidated financial statements have adopted the following FASs as explained below.

**FAS 31 “Investment Agency (Al-Wakala Bi Al-Istithmar)”**

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

Adoption of the above standard did not have any impact on the consolidated financial statements of the Group for the year ended 31 December 2021.

**FAS 32 “Ijarah”**

This standard supersedes FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”. The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijarah Muntahia Bittamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Bittamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for Ijarah – Ijarah of “low-value” assets (e.g., personal computers) and short-term Ijarah (i.e., Ijarah with a Ijarah term of 12 months or less). At the commencement date of the Ijarah, a lessee will recognise an asset representing the right to use the underlying asset during the Ijarah term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability). Further, the net Ijarah liabilities should be netted off against the advance rental’s payments made prior to the commencement of Ijarah term.

The Group recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets. The accounting policies of the Group upon adoption of FAS 32 are as follows:

**a) Right of use asset**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use asset is also subject to impairment in line with FAS 30 requirements.

**b) Ijarah liability**

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Group recognises Ijarah liability measured at the fair value of total rentals payable for Ijarah term. After the commencement date, the amount of Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments.



As at 31 December 2021

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 New standards, interpretations and amendments (continued)****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.

Adoption of the above standard did not have any impact on the consolidated financial statements of the Group for the year ended 31 December 2021.

**FAS 35 "Risk reserves"**

FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risk faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.

Adoption of the above standard did not have any impact on the consolidated financial statements of the Group for the year ended 31 December 2021.

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

*Classification of investments*

Management decides on acquisition of an investment, whether it should be classified as equity-type instrument at fair value through the consolidated statement of income, equity-type instruments at fair value through equity or debt-type instrument at amortised cost.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Going concern*

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

As at 31 December 2021

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Fair valuation of investments*

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of consolidated financial statements.

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

*Impairment of investments at fair value through equity*

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

*Special purpose entities*

The Group sponsors the formation of special purpose entities ("SPE") primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPEs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgments are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

*Impairment and uncollectibility of financial assets*

The Group uses a provision matrix to calculate expected credit losses ("ECL") for its receivables, estimated based on historical credit loss experience based on the past due status of the customer, adjusted as appropriate to reflect current conditions and future economic conditions.

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if the forecast macro-economic variables are expected to deteriorate over the forecast period, the historical loss rates will be adjusted upwards to reflect the expected economic conditions. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking information are analysed.

The incorporation of forward-looking information increases the level of judgement as to how changes in macro-economic variables will affect the ECL. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

*Liquidity*

The Group manages its liquidity through consideration of the maturity profile of its assets and liabilities which is set out in the liquidity risk disclosures in these consolidated financial statements. This requires judgement when determining the maturity of assets and liabilities with no specific maturities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**5 CASH AND BANK BALANCES**

	2021 US\$ '000	2020 US\$ '000
Short-term deposits (with an original maturity of 90 days or less)	9,087	9,628
Current account balances with banks	9,542	7,929
Cash in hand	13	11
Total cash and cash equivalents	<u>18,642</u>	<u>17,568</u>
Short-term deposits (with an original maturity of more than 90 days)	7,895	5,973
Less: Provisions for expected credit loss	(161)	(142)
Total cash and bank balances	<u>26,376</u>	<u>23,399</u>
Movements in the provision for expected credit loss:		
	2021 US\$ '000	2020 US\$ '000
At 1 January	142	475
Charge / (reversals) during the year	19	(333)
	<u>161</u>	<u>142</u>

**6 ACCOUNTS RECEIVABLE**

	2021 US\$ '000	2020 US\$ '000
Amounts due from related parties (note 28)	12,830	12,797
Trade receivables	8,729	13,809
Rent receivable	1,296	1,980
Other receivables	21,028	18,391
	<u>43,883</u>	<u>46,977</u>
Less: provision for expected credit losses	(23,472)	(23,905)
	<u>20,411</u>	<u>23,072</u>

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

The movement in the Group's provision for expected credit losses is as follows:

	2021 US\$ '000	2020 US\$ '000
At 1 January	23,905	27,397
Write back during the year	(433)	(6,038)
Impact of adoption of FAS 30	-	2,546
<b>At 31 December</b>	<u>23,472</u>	<u>23,905</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**7 INVESTMENTS**

	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Equity-type instruments at fair value through equity - Unquoted</b>		
Equity investment in real estate	<b>12,964</b>	12,593

Equity-type investments at fair value through equity include investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are carried at fair value through equity as disclosed in note 3c of the consolidated financial statements.

**8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES**

	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
At 1 January	<b>95,681</b>	87,387
Acquisitions during the year	-	9,265
Net share of loss	<b>(223)</b>	(10,173)
Gain on bargain purchase	-	9,574
Distributions during the year	<b>(410)</b>	(372)
<b>At 31 December</b>	<b>95,048</b>	95,681

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)**

The Group has an investment in the following joint ventures:

<i>Name</i>	<i>Principal activities</i>	<i>Ownership</i>		<i>Country of incorporation</i>	<i>Carrying value</i>	
		<i>2021</i>	<i>2020</i>		<i>2021</i> <i>US\$ '000</i>	<i>2020</i> <i>US\$ '000</i>
First Gulf Real Estate Company W.L.L. <i>(Investment acquired as a result of consolidation of Dannat Resort Development Company Ltd)</i>	Purchase of land and construct buildings thereon for investments through sale or lease, manage and maintain real estates	<b>55.56%</b>	55.56%	Kingdom of Saudi Arabia	<b>40,174</b>	40,259
Advance Project Group Holding W.L.L.	Manufacturing company for producing wood-plastic composites	<b>45.00%</b>	45.00%	State of Kuwait	<b>2,971</b>	2,634
					<b>43,145</b>	42,893

**Summarised financial information of joint ventures**

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

	<i>2021</i> <i>US\$ '000</i>	<i>2020</i> <i>US\$ '000</i>
Total assets	<b>62,245</b>	61,299
Total liabilities	<b>2,476</b>	2,184
Total net profit / (loss)	<b>649</b>	(81)

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2021 and 2020.

The principal associates of the Group are:

<i>Name of associate</i>	<i>Principal activities</i>	<i>Ownership</i>		<i>Country of incorporation</i>	<i>Carrying value</i>	
		<i>2021</i>	<i>2020</i>		<i>2021</i> <i>US\$ '000</i>	<i>2020</i> <i>US\$ '000</i>
Durrat Marina Investment Company Ltd.	<i>Development and sale of commercial and residential properties</i>	<b>46.49%</b>	46.49%	Cayman Islands	<b>44,498</b>	45,166
Takhzeen Warehousing and Storage Company B.S.C. (c)	<i>Management and maintenance of warehouses</i>	<b>37.24%</b>	37.24%	Kingdom of Bahrain	<b>4,371</b>	4,580
Boyot Al Mohandseen Contracting Company	<i>Development of real estate in Dhahran, Kingdom of Saudi Arabia</i>	<b>23.17%</b>	23.17%	Kingdom of Saudi Arabia	<b>3,034</b>	3,042
					<b>51,903</b>	52,788

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)**

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

	2021 US\$ '000	2020 US\$ '000
<b>Summarised financial information of associates</b>		
Total assets	130,452	132,428
Total liabilities	9,275	9,312
Total net loss	(839)	(20,316)

The associates had no contingent liabilities or capital commitments as at 31 December 2021 and 2020.

**9 INVESTMENTS IN REAL ESTATE**

	2021 US\$ '000	2020 US\$ '000
At 1 January	76,824	77,402
Additions during the year	2,700	1,776
Disposals during the year	-	(2,354)
<b>At 31 December</b>	<b>79,524</b>	<b>76,824</b>

Investments in real estate are stated at fair value which has been determined based on valuations performed by accredited independent property valuers. The valuations undertaken were based on open market values, which represent the prices at which the properties could be exchanged between knowledgeable willing buyers and knowledgeable willing sellers in an arm's length transaction.

Investments in real estate based on valuations performed by external property valuers amounted to US\$ 106.64 million (31 December 2020: US\$ 103.45 million). However, due to the illiquid nature of the real estate market and slowdown within the economic environment, the management believes the current carrying value of investments in real estate amounting to US\$ 79.52 million (31 December 2020: US\$ 76.8 million) approximates its fair value.

Investments in real estate stated at a carrying amount of US\$ 18.7 million (31 December 2020: US\$ 18.7 million) are secured as collateral against the financing facilities obtained (note 15).

**10 PROPERTY, PLANT AND EQUIPMENT**

	<i>Buildings on leasehold land</i> US\$ '000	<i>Machinery, equipment furniture and fixtures</i> US\$ '000	<i>Computer hardware and software</i> US\$ '000	<i>Motor vehicles</i> US\$ '000	<i>Total</i> US\$ '000
<b>Cost</b>					
At 1 January 2021	10,122	10,470	1,585	2,203	24,380
Additions	-	224	7	51	282
<b>At 31 December 2021</b>	<b>10,122</b>	<b>10,694</b>	<b>1,592</b>	<b>2,254</b>	<b>24,662</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	2,730	9,257	1,463	1,885	15,335
Charge	351	470	70	75	966
<b>At 31 December 2021</b>	<b>3,081</b>	<b>9,727</b>	<b>1,533</b>	<b>1,960</b>	<b>16,301</b>
<b>Net book amount:</b>					
<b>At 31 December 2021</b>	<b>7,041</b>	<b>967</b>	<b>59</b>	<b>294</b>	<b>8,361</b>
At 31 December 2020	7,392	1,213	122	318	9,045



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**10 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Depreciation charged to contract costs (note 19)	<b>238</b>	150
Depreciation charged to expenses	<b>728</b>	872
	<b>966</b>	1,022

**11 RIGHT OF USE ASSET**

	<b>2021</b> <b>US\$ '000</b>
<b>Cost</b>	
Opening	-
Additions	<b>328</b>
	<b>328</b>
<b>Accumulated amortisation</b>	
At 1 January	-
Charge	<b>64</b>
	<b>64</b>
Net book value	<b>264</b>

**12 OTHER ASSETS**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Advances to contractors	<b>274</b>	450
Prepayments	<b>257</b>	368
	<b>531</b>	818

**13 OTHER LIABILITIES AND ACCOUNTS PAYABLE**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Lease rent payables (note 13.1)	<b>50,105</b>	50,105
Accruals and other payables	<b>7,992</b>	6,737
Advances from construction clients	<b>4,970</b>	455
Case compensation and other contingencies (note 13.2)	<b>3,389</b>	7,672
Trade payables	<b>1,469</b>	2,329
Retentions payable	<b>1,046</b>	1,839
Amounts due to related parties (note 13.3 and 28)	<b>152</b>	126
	<b>69,123</b>	69,263

**Note 13.1**

The Group entered into a long term lease contract with the Ministry of Industry, Commerce and Tourism ("MOICT") in December 2005, effective from May 2006, for a period of 50 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**13 OTHER LIABILITIES AND ACCOUNTS PAYABLE (continued)****Note 13.1 (continued)**

In accordance with the terms of the agreement with the MOICT, from the date of signing the agreement, no lease rent is payable for the first two years of the lease period, from 2006 to 2007. Lease rent payable, for the lease period (from 2008-2025), was deferred due to the cost incurred by the Group on the reclamation of the leasehold land. Thereafter, the Group is required to pay lease rental over thirty years (from 2026 to 2056).

**Note 13.2**

The Group has a history of legal claims filed against it. Due to such claims history, the management has made an assessment of potential future claims against the Company and accordingly retained provisions for such future contingencies. During the year 2020, a partner in a project company filed a case against the Company in the Bahrain Chamber for Dispute Resolution (BDCR) over a dispute relating to a project company managed by the Company. In the current year, BDCR had ruled the case against the Company, however, the Company had subsequently appealed the ruling in the Court of Cassation. Subsequent to the year end the case was ruled by the Court of Cassation in the favour of the Company, accordingly, the provision was reversed.

During the year 2020, a case was filed against the Group, and based on the report and the assessment of the case, the management of the Group has recognised provision for case compensation against the same.

Set out below are the carrying amounts of case compensation and other contingencies and the movements during the year:

	2021 US\$ '000	2020 US\$ '000
As at 1 January	7,672	8,497
Additions*	2,122	284
Settlements	(476)	-
Reversal	(5,929)	(1,109)
As at December	<u>3,389</u>	<u>7,672</u>

\*The management has assessed it has sufficient provisions for the claim in case the court issues a ruling against the Group.

**Note 13.3**

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

**14 IJARAH LIABILITY**

	2021 US\$ '000
As at 1 January	-
Additions	330
Amortisation of deferred ijarah cost	11
Payments	(67)
As at December	<u>274</u>
Within one year	117
After one year but not more than five years	157
Total	<u>274</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

## 15 FINANCING FROM A BANK

	2021 US\$ '000	2020 US\$ '000
Commodity murabaha financing	5,757	5,439

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

## 16 SHARE CAPITAL

	2021 US\$ '000	2020 US\$ '000
<b>Authorised</b>		
375,000,000 (31 December 2020: 375,000,000) ordinary shares of US\$ 0.40 each	150,000	150,000
<b>Issued and fully paid-up</b>		
<b>Opening balance</b>		
300,836,787 (31 December 2020: 300,836,787) ordinary shares of US\$ 0.40 each	120,334	120,334
<b>Treasury shares</b>		
Less: 3,675,000 (31 December 2020: 3,675,000) treasury shares	(1,309)	(1,309)
<b>Closing balance</b>		
297,161,787 (31 December 2020: 297,161,787) ordinary shares	119,025	119,025

**Additional information on shareholding pattern**

Names and nationalities of the major shareholders and the number of shares they hold, without considering the treasury shares, are disclosed below (where their shareholding amounts to more than 5% or more of outstanding shares):

**At 31 December 2021**

<i>Name</i>	<i>Incorporation</i>	<i>Number of shares</i>	<i>% holding</i>
Gulf Investment House	Kuwait	42,930,670	14.27%
Mechanism General Trading Company	Kuwait	26,197,500	8.71%
Sanad Company for buying and selling shares and bonds	Kuwait	26,025,257	8.65%
Dubai Islamic Bank	United Arab Emirates	20,736,327	6.89%
Others	Various	184,947,033	61.48%
		<b>300,836,787</b>	<b>100%</b>

**At 31 December 2020**

<i>Name</i>	<i>Incorporation</i>	<i>Number of shares</i>	<i>% holding</i>
Gulf Investment House	Kuwait	42,930,670	14.27%
Mechanism General Trading Company	Kuwait	26,197,500	8.71%
Dubai Islamic Bank	United Arab Emirates	20,736,327	6.89%
Others	Various	210,972,290	70.13%
		<b>300,836,787</b>	<b>100%</b>

The Company has only one class of equity shares and the holders of these shares have equal voting rights. Further, all the shares issued are fully paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**16 SHARE CAPITAL (continued)****Additional information on shareholding pattern (continued)**

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

**At 31 December 2021**

<b>Categories:</b>	<b>No. of shares</b>	<b>No. of shareholders</b>	<b>% of total outstanding shares</b>
Less than 1%	52,555,199	656	17.47%
1% up to less than 5%	132,391,834	17	44.01%
5% up to less than 10%	72,959,084	3	24.25%
10% up to less than 50%	42,930,670	1	14.27%
	<b>300,836,787</b>	<b>677</b>	<b>100%</b>

**At 31 December 2020**

<b>Categories:</b>	<b>No. of shares</b>	<b>No. of shareholders</b>	<b>% of total outstanding shares</b>
Less than 1%	75,651,956	652	25.15%
1% up to less than 5%	135,320,334	16	44.98%
5% up to less than 10%	46,933,827	2	15.60%
10% up to less than 50%	42,930,670	1	14.27%
	<b>300,836,787</b>	<b>671</b>	<b>100%</b>

Details of shares owned by the directors of the Group are as follows:

	<b>% of total outstanding shares</b>	<b>No. of shares</b>
<b>31 December 2021</b>		
Abdulaziz Assad Alsanad	1.83%	5,508,188
Dr. Abdulaziz Fahad Dakheel	0.20%	600,000
		<b>6,108,188</b>

**17 RESERVES****a. Statutory reserve**

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the net profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of paid up share capital. The reserve is not available for distribution, except in circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain. Transfer to the statutory reserve of US\$ 75 thousand has been made for the year ended 31 December 2021 (31 December 2020: US\$ 503 thousand).

**b. Fair value through equity reserve**

Unrealised gains and losses resulting from investments carried at fair value through equity, if not determined to be impaired is recorded in the fair value through equity reserve and is not available for distribution. Upon disposal of related assets, the related cumulative gains or losses are transferred to retained earnings and become available for distribution. Included in fair value through equity reserve is an unrealised gain on investments for the year ended 31 December 2021 amounting to US\$ 718 thousand (31 December 2020: 1,495 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**18 TREASURY SHARES**

Treasury shares represent 3,675,000 (31 December 2020: 3,675,000) shares amounting to US\$ 1,308,680 (31 December 2020: US\$ 1,308,680) representing 1.22% (31 December 2020: 1.22%) of the issued share capital, held by the Group.

**19 NET INCOME FROM CONSTRUCTION CONTRACTS**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Contract income	<b>5,361</b>	4,595
Contract costs	<b>(4,952)</b>	(1,529)
	<b>410</b>	3,066

The contract costs include depreciation amounting to US\$ 238 thousand (31 December 2020: US\$ 150 thousand).

**20 INCOME FROM INVESTMENT IN REAL ESTATE**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Rental income	<b>3,140</b>	5,017
Realised losses on sale of investment in real estate	-	(157)
	<b>3,140</b>	4,860

**21 INCOME FROM INVESTMENTS**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Impairment loss on investment at fair value through equity	<b>(24)</b>	(1,954)
Realized gain on sale / liquidation of a subsidiary	-	6
	<b>(24)</b>	(1,948)

**22 FEE FOR MANAGEMENT AND OTHER SERVICES**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Property and facility management income	<b>978</b>	1,269
Financial advisory service charges	<b>63</b>	63
Other management services	<b>80</b>	79
	<b>1,121</b>	1,411

**23 OTHER INCOME**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Profit on short-term deposits	<b>569</b>	573
Electricity and water services	<b>119</b>	523
Others*	<b>456</b>	1,100
	<b>1,144</b>	2,196

\*Others includes government grant received towards salary of Bahraini employees from January to December 2021 of US\$ 161 thousand (2020: US\$ 653 thousand) and electricity charges of US\$ 87 thousand (2020: US\$ 313 thousand) (note 1).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**24 STAFF COSTS**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Salaries and benefits	3,318	4,539
Other staff expenses	705	319
	<b>4,023</b>	<b>4,858</b>

**25 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Legal and professional fees	668	791
Rent, rates and taxes	507	648
Board member expenses	249	208
Regulatory fees	215	187
IT related expenses	214	143
Advertising and marketing	95	111
Directors professional liability insurance	55	58
Labour accommodation expenses	10	32
Travelling and transportation	2	22
Other expenses	369	502
Foreign exchange loss	-	8
	<b>2,384</b>	<b>2,710</b>

**26 NET IJARAH COST**

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Amortisation of right of use asset	64	-
Amortisation of deferred ijarah cost	11	-
	<b>75</b>	<b>-</b>

**27 BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	<b>2021</b> <b>US\$ '000</b>	<b>2020</b> <b>US\$ '000</b>
Income attributable to the equity shareholders of the parent for the year	<b>746</b>	5,026
Weighted average number of shares outstanding at the beginning and end of the year	<b>297,162</b>	297,162
Earnings per share - US\$ cents	<b>0.25</b>	1.69

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

**28 RELATED PARTY BALANCES AND TRANSACTIONS**

Related parties comprise major shareholders, directors of the Group, key management personnel, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group and Shari'a Supervisory Board members and external auditors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)****Terms and conditions of transactions with related parties**

The Group enters into transactions, arrangements and agreements with its related parties in the ordinary course of business at terms and conditions approved by the Board of Directors. The transactions and balances arose from the ordinary course of business of the Group. Outstanding balances at the year end are unsecured.

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

	31 December 2021				31 December 2020			
	Key management personnel/ Associates and joint venture US\$ '000				Key management personnel/ Associates and joint venture US\$ '000			
	Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000		Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	
Accounts receivable - gross	9,810	3,020	12,830	9,815	2,982	12,797		
Provision	(2,997)	(2,409)	(5,406)	(2,997)	(2,409)	(5,406)		
Accounts receivable - net	6,813	611	7,424	6,818	573	7,391		
Other liabilities and accounts payable	15	122	152	19	1	106	126	

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

	31 December 2021				31 December 2020			
	Key management personnel/ Associates and joint venture US\$ '000				Key management personnel/ Associates and joint venture US\$ '000			
	Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000		Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	
<b>Income</b>								
Fee from management and other services	208	-	208	181	-	-	181	
Net share of loss from investment in a joint venture and associates	(223)	-	(223)	(599)	-	-	(599)	
	(15)	-	(15)	(418)	-	-	(418)	
<b>Expenses</b>								
Staff costs	-	1,821	1,821	-	1,691	-	1,691	
General and administrative expenses	11	247	471	17	338	53	408	
	11	2,034	2,292	17	2,029	53	2,099	



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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

Compensation of the key management personnel is as follows:

	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Salaries and other benefits	<b>1,821</b>	1,691

**29 SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. For management purposes, the Group is organised into four major business segments.

The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in note 3 to the consolidated financial statements. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment information is disclosed as follows:

	<b>31 December 2021</b>				
	<i>Investment and related services US\$ '000</i>	<i>Construction Contracts US\$ '000</i>	<i>Development and sale of industrial plots US\$ '000</i>	<i>Eliminations US\$ '000</i>	<i>Total US\$ '000</i>
Net revenues from					
external customers	664	518	4,193	(704)	4,671
Inter-segment transactions	44	173	128	(345)	-
Loss from investments	(24)	-	-	-	(24)
Net share of loss from					
investment in joint					
ventures and associates					
(note 8)	(185)	-	-	(38)	(223)
Other income	108	514	522	-	1,144
Total revenue / (loss)	<b>607</b>	<b>1,205</b>	<b>4,843</b>	<b>(1,087)</b>	<b>5,568</b>
Segment profit / (loss)	<b>2,585</b>	<b>(4,300)</b>	<b>2,703</b>	<b>(111)</b>	<b>877</b>
Segment assets	<b>386,215</b>	<b>40,124</b>	<b>122,708</b>	<b>(305,568)</b>	<b>243,479</b>
Segment liabilities	<b>137,777</b>	<b>13,156</b>	<b>53,071</b>	<b>(128,850)</b>	<b>75,154</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

## 29 SEGMENTAL INFORMATION (continued)

	31 December 2020				
	<i>Investment and related services US\$ '000</i>	<i>Construction Contracts US\$ '000</i>	<i>Development and sale of industrial plots US\$ '000</i>	<i>Eliminations US\$ '000</i>	<i>Total US\$ '000</i>
Net revenues from					
external customers	740	3,066	5,885	(354)	9,337
Inter-segment transactions	151	-	314	(465)	-
Income from investments	(1,948)	-	-	-	(1,948)
Net share of loss from					
investment in joint					
ventures and associates					
(note 8)	(561)	-	-	(38)	(599)
Other income	259	914	1,121	(98)	2,196
Total revenue	(1,359)	3,980	7,320	(955)	8,986
Segment (loss) / profit	1,260	255	4,141	34	5,690
Segment assets	390,715	39,158	118,662	(307,103)	241,432
Segment liabilities	145,035	7,094	52,012	(129,439)	74,702

## 30 CONTINGENCIES AND COMMITMENTS

Credit-related commitments include commitments to extend guarantees and acceptances which are designed to meet the requirements of the Group's customers. Guarantees and acceptances commit the Group to make payments to third parties on behalf of customers in certain circumstances.

The Group has the following credit related commitments:

	2021 US\$ '000	2020 US\$ '000
Guarantees	2,200	2,294

## 31 FIDUCIARY ASSETS

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the consolidated statement of financial position. At 31 December 2021, the carrying value of such assets is US\$ 98.21 million (31 December 2020: US\$ 99.09 million). The share of assets relating to non-controlling shareholders within the subsidiaries consolidated in the financial statements amounted to US\$ 26.4 million (31 December 2020: US\$ 25.9 million).

## 32 RISK MANAGEMENT

Risk is defined as the combination of severity and frequency of potential loss over a given time horizon and is inherent in the Group's activities. Risk can be expressed in the dimensions of potential severity of loss (magnitude of impact) and potential loss frequency (likelihood of occurrence). Risk management is the process by which the Group identifies key risks, sets consistent understandable risk measures, chooses which risks to reduce, which to increase and by what means, and establishes procedures to monitor the resulting risk position. Risk management is the discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure that optimum value is created for the shareholders through an optimum return on equity by an appropriate trade-off between risk and return.

**32 RISK MANAGEMENT (continued)**

Effective risk management is the cornerstone of capital structure. The vision of risk management is to address all aspects of risk which the Group may be exposed to. The Group's risk function is independent of lines of business and is managed by the Audit and Risk Committee and the Interim Head of Compliance is appointed by the Audit and Risk Committee, who then report to the Board of Directors. The key role of the risk management function is defining, identifying and reducing risks, and being independent and objective.

The Group has exposure to risks, which include credit, market, liquidity, reputation, compliance and operational risks. Market risk includes currency, equity price and profit rate risk. Taking risk is core to the financial business. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

**Risk governance**

The Board of Directors of the Group has overall responsibility for the oversight of the risk management framework and reviewing its risk management policies and procedures. The risks both at portfolio and transactional levels are managed and controlled through the Board Risk Committee.

**a) Credit risk**

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to maximize the Group's risk-adjusted rate of return by maintaining credit exposures within acceptable parameters. The Group has well-defined policies and procedures for identifying, measuring, monitoring and controlling credit risk in all the Group's activities.

**i) *Maximum exposure to credit risk without taking account of any collateral and other credit enhancements***

The Group's maximum exposure to on-balance sheet credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure, is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract.

The table shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements, but after impairment provisions, where applicable.

	<b>Gross maximum exposure 2021 US\$ '000</b>	<b>Gross maximum exposure 2020 US\$ '000</b>
Bank balances	<b>26,363</b>	23,388
Accounts receivable	<b>20,411</b>	23,072
Commitments and contingent liabilities	<b>2,200</b>	2,294
Total	<b>48,974</b>	48,754

**ii) Concentration risk**

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**32 RISK MANAGEMENT (continued)****a) Credit risk (continued)****ii) Concentration risk (continued)**

The Group's exposure analysed on geographic regions and industry sectors is as follows:

	31 December 2021			31 December 2020		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Geographic region:</b>						
Kingdom of Bahrain	196,527	75,123	2,200	182,063	74,702	2,294
Other GCC countries	46,952	31	-	59,369	-	-
	<b>243,479</b>	<b>75,154</b>	<b>2,200</b>	<b>241,432</b>	<b>74,702</b>	<b>2,294</b>
	31 December 2021			31 December 2020		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Industry sector:</b>						
Real estate	189,136	62,501	2,200	186,423	62,724	2,294
Non real estate	54,343	12,653	-	55,009	11,978	-
	<b>243,479</b>	<b>75,154</b>	<b>2,200</b>	<b>241,432</b>	<b>74,702</b>	<b>2,294</b>

**b) Market risk**

Market risk arises from fluctuations in profit rates, foreign exchange rates and equity prices. Market risk is the risk that changes in market risk factors, such as currency risk, profit rates and equity prices will effect the Group's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**i) Profit rate risk**

Profit risk is the risk that the Group's profitability or fair value of its financial instruments will be adversely affected by the changes in profit rates. The Group's assets and liabilities are not considered by management to be sensitive to profit rate risk.

**ii) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views the Bahraini Dinars as its functional currency and United States Dollar as its reporting currency. As at 31 December 2021 and 2020, the Group had net foreign currency exposure in respect of Bahraini Dinars and Kuwaiti Dinars. Bahraini Dinars are pegged to the United States Dollar and thus are considered not to represent significant currency risk. The Group's net exposure to Kuwaiti Dinars is considered minimal.

**iii) Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Group has no quoted equity investments and has unquoted investments designated fair value through equity.

The effect on fair value through equity reserve (as a result of a change in the net asset value of equity investments) due to a reasonable possible positive change (ie. +5%) in the value of individual investments, with all other variables held constant, is US\$ 648 thousand (2020: US\$ 630 thousand).

The effect on consolidated statement of income (as a result of a change in the net asset value of equity investments) due to a reasonable possible negative change (ie. -5%) in the value of individual investments, with all other variables held constant, is US\$ 648 thousand (2020: US\$ 630 thousand), after exhausting the fair value through equity reserve (if any).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**32 RISK MANAGEMENT (continued)****c) Liquidity risk**

Liquidity risk is the potential inability of the Group to meet cash flows of its maturing obligations to a counterparty. Liquidity risk management seeks to ensure that the Group has the ability, under varying scenarios, to fund increases in assets and meet maturing obligations as they arise. Management of the Group is responsible for its liquidity management.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2021 based on expected periods to cash conversion from the consolidated statement of financial position date:

	<i>Up to 1 Month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>Over 10 years US\$ '000</i>	<i>No fixed maturity US\$ '000</i>	<i>Total US\$ '000</i>
<b>ASSETS</b>									
Cash and bank balances	20,134	793	1,425	4,024	-	-	-	-	26,376
Accounts receivable	9,627	1,449	735	319	2,242	-	-	6,039	20,411
Investments	-	-	-	-	12,964	-	-	-	12,964
Investment in joint ventures and associates	-	-	-	-	92,119	-	-	2,929	95,048
Investments in real estate	-	-	-	-	48,230	3,957	27,337	-	79,524
Property, plant and equipment	-	-	-	-	-	-	-	8,361	8,361
Right of use asset	-	-	-	109	155	-	-	-	264
Other assets	39	176	57	127	132	-	-	-	531
<b>Total assets</b>	<b>29,800</b>	<b>2,418</b>	<b>2,217</b>	<b>4,579</b>	<b>155,842</b>	<b>3,957</b>	<b>27,337</b>	<b>17,329</b>	<b>243,479</b>
<b>LIABILITIES</b>									
Other liabilities and accounts payable	3,623	4,439	1,058	2,245	4,905	3,316	46,789	2,748	69,123
Ijarah liability	10	20	30	60	154	-	-	-	274
Financing from a bank	1,048	-	1,030	2,107	1,572	-	-	-	5,757
<b>Total liabilities</b>	<b>4,681</b>	<b>4,459</b>	<b>2,118</b>	<b>4,412</b>	<b>6,631</b>	<b>3,316</b>	<b>46,789</b>	<b>2,748</b>	<b>75,154</b>
Net liquidity gap	25,119	(2,041)	99	167	149,211	641	(19,452)	14,581	168,325
Cumulative liquidity gap	25,119	23,078	23,177	23,344	172,555	173,196	153,744	168,325	
Contingencies and commitments	-	-	-	-	2,200	-	-	-	2,200

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**32 RISK MANAGEMENT (continued)****c) Liquidity risk (continued)**

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2020 based on expected periods to cash conversion from the consolidated statement of financial position date:

	<i>Up to 1 Month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>Over 10 years US\$ '000</i>	<i>No fixed maturity US\$ '000</i>	<i>Total US\$ '000</i>
<b>ASSETS</b>									
Cash and bank balances	18,262	5,137	-	-	-	-	-	-	23,399
Accounts receivable	2,651	11,078	138	2,389	6,816	-	-	-	23,072
Investments	-	-	-	-	12,593	-	-	-	12,593
Investment in joint ventures and associates	-	-	-	-	95,681	-	-	-	95,681
Investments in real estate	-	-	-	-	47,650	29,174	-	-	76,824
Property, plant and equipment	-	-	-	-	-	-	-	9,045	9,045
Other assets	37	283	110	274	114	-	-	-	818
<b>Total assets</b>	<b>20,950</b>	<b>16,498</b>	<b>248</b>	<b>2,663</b>	<b>162,854</b>	<b>29,174</b>	<b>-</b>	<b>9,045</b>	<b>241,432</b>
<b>LIABILITIES</b>									
Other liabilities and accounts payable	4,767	1,609	412	483	11,341	-	50,105	546	69,263
Financing from a bank	1,082	-	1,035	2,118	1,204	-	-	-	5,439
<b>Total liabilities</b>	<b>5,849</b>	<b>1,609</b>	<b>1,447</b>	<b>2,601</b>	<b>12,545</b>	<b>-</b>	<b>50,105</b>	<b>546</b>	<b>74,702</b>
Net liquidity gap	15,101	14,889	(1,199)	62	150,309	29,174	(50,105)	8,499	166,730
Cumulative liquidity gap	15,101	29,990	28,791	28,853	179,162	208,336	158,231	166,730	
Contingencies and commitments	-	-	-	-	2,294	-	-	-	2,294

**d) Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

**32 RISK MANAGEMENT (continued)**

**e) Other risks**

*Regulatory risk*

Regulatory risk is defined as the risk of non-compliance with regulatory and legal requirements in the Kingdom of Bahrain and the State of Kuwait. The Group's Compliance Department is currently responsible for ensuring all regulations are adhered to.

*Legal risk*

Legal risk is defined as the risk of unexpected losses from transactions and contracts not being enforceable under applicable laws or from unsound documentation. The Group deals with several external law firms to support it in managing the legal risk.

*Reputation risk*

Reputation risk is defined as the risk that negative perception regarding the Group's business practices or internal controls, whether true or not, will cause a decline in the Group's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Group. The Board of Directors examines the issues that are considered to have reputation repercussions for the Group and issues directives to address these.

**33 SOCIAL RESPONSIBILITY**

The Group intends to discharge its social responsibilities through donations to charitable causes and organisations.

**34 COMPARATIVE FIGURES**

Certain prior year figures have been reclassified to conform to the current period presentation. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.