'INOVEST.

Annual Report

2021

Inovest B.S.C
Commercial registration number 48848
obtained on 18 June 2002

Registered office
Bahrain Financial Harbor, East Tower, 35th Floor
P. O. Box. 18334 Manama
Kingdom of Bahrain
Tel: +973 17 155 777
Fax: +973 17 155 888
Web:www.inovest.bh

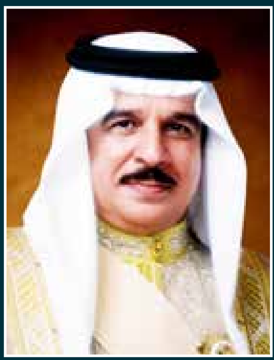
Bankers
Bahrain Islamic Bank B.S.C.
Ithmaar Bank B.S.C.
Kuwait Finance House (Bahrain) B.S.C. (c)
Kuwait Finance House (Kuwait) K.S.C.P.
Boubyan Bank (Kuwait)
Khaleeji Commercial Bank B.S.C.
Al Baraka Islamic Bank B.S.C. (c)
Al Salam Bank, Bahrain B.S.C.

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

Registrars
Bahrain Clear
Bahrain Financial Harbour,
Harbour Gate, 4th floor Level 4,
P.O.Box 3203 Manama
Kingdom of Bahrain

Kuwait Clearing Company S.A.K.
P.O. Box 2207, Safat 13081
State of Kuwait

The Late Amir
His Highness Shaikh Isa Bin
Salman Al Khalifa



His Majesty,
King Hamed bin Isa Al Khalifa
The King of the Kingdom of
Bahrain

His Royal Highness,
Prince Salman bin Hamed Al Khalifa
The Crown Prince and Deputy
Supreme Commander of the Kingdom
of Bahrain

Contents

BOARD OF DIRECTORS

Mohammad Hamed Al-Shalfan
Chairman

Mohammad Salah Al-Ayoub
Vice Chairman

Abdulaziz Assad Alsanad
Board Member

Dr. Abdulaziz Fahad Al Dakheel
Board Member

Ausama Abdulrahim Al-Khaja
Board Member

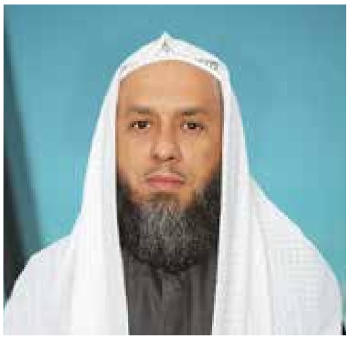
Mohamed Abdulwahab Al Matook
Board Member

Abdullah Mohammed Alabduljader
Board Member

SHARIAH SUPERVISORY COMMITTEE

Sheikh Dr. Khalid Shuja'a Al-Otaibi
Chairman

Sheikh Dr. Dawoud Salman Bin Essa
Executive Member



Sheikh Dr. Murad Bou Daia
Member

BOARD OF DIRECTORS' REPORT

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 31st 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

Mohammad Hamed Al-Shalfan

Board Chairman

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
First: Independent Directors:					
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
Second: Executive Directors:					
1. Abdulaziz Asaad Al-Sanad	-	3,290	-	-	3,290
2. Mohammad Salah Al-Ayoub	--	2,450	-	-	2,450
3. Abdulrahman Al Nesef**	5,000	450	-	-	5,450
4. Yaqoub Yousef Bandar **	5,000	600	-	-	5,600
Total	**40,000**	**21,245**	**-**	**-**	**61,245**

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,

Mohammad Hamed Al-Shalfan
Board Chairman

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors

FIRST: BOARD OF DIRECTORS' REMUNERATION DETAILS:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	**Others	Total			
First: Independent Directors:													
1. Mohammad Hamed Al-Shalfan	12,000	3,710	-	-	15,710	-	-	-	-	-	-	15,710	-
2. Abdullah Al-Abduljader	5,000	1,200	-	-	6,200	-	-	-	-	-	-	6,200	-
3. Ausama Abdulrahim Al-Khaja	5,000	1,800	-	-	6,800	-	-	-	-	-	-	6,800	-
4. Mohamed Abdulwahab Al Matook	5,000	2,450	-	-	7,450	-	-	-	-	-	-	7,450	-
5. Dr. Abdulaziz Al Dakheel	5,000	3,045	-	-	8,045	-	-	-	-	-	-	8,045	-
Second: Non-Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1. Abdulaziz Asaad Al-Sanad	5,000	3,290	-	-	8,290	-	-	-	-	-	-	8,290	-
2. Mohammad Salah Al-Ayoub	5,000	2,450	-	-	7,450	-	-	-	-	-	-	7,450	-
Total	**42,000**	**17,945**	**-**	**-**	**59,945**	**-**	**-**	**-**	**-**	**-**	**-**	**59,945**	**-**

Note: All amounts stated in Bahraini Dinars.

Other remunerations:

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

** It includes the board member's share of the profits - Granted shares (insert the value) (if any).

SECOND: EXECUTIVE MANAGEMENT REMUNERATION DETAILS:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 20XX	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	340,706	-	-	340,706

Note: All amounts 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)

Mohammad Hamed Al-Shalfan
Board Chairman

Mohammad Salah Al-Ayoub
Vice Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

1. Corporate Governance Structure

The Company is governed by the Commercial Companies Law promulgate by Legislative Decree No. 21 of 2001 ("Companies Law"), Corporate Governance Code of the Kingdom of Bahrain ("Governance Code"), the High-Level Controls Module of Volume 4 and 6 of the CBB Rulebook, and the Bahrain Bourse Law of 1987, generally referred to as "Regulations".

The Company undertakes its responsibility towards its shareholders by adopting the highest standards of corporate governance. The Company believes that the sound implementation of corporate governance enhances shareholder value, and provides adequate guidelines to the Board of Directors, its committees and Executive Management, in order for them to perform their duties in a manner that best serves the Company and its shareholders. The Company seeks to achieve the highest level of transparency, accountability and efficient management through the adoption and pursuit of strategies, objectives and policies that ensure the fulfillment of its organizational and ethical responsibilities.

2. Board of Directors

The Board of Directors consists of seven Board Members, four independent, and three executive members.

The Board of Directors was elected in the Ordinary General Assembly held on 29th April 2021 for three years, and a new Board of Directors will be elected in the first quarter of 2024 during the Ordinary General Assembly.

2.1 Election Process

The Nomination and Remuneration Committee formed by the Board of Directors reviews the skills and qualifications that the prospective members of the Board of Directors must possess. The General Assembly elects the new candidate after obtaining majority votes in the ballot held for such purpose Responsibilities are distributed across the Board of Directors in accordance with the Company's Articles of Association and the Commercial Companies Law. Membership of the Board of Directors may be nullified in case, inter alia, the member commits a crime, breaches trust or is declared bankrupt.

2.2 Board's Composition

The Chairman of the Board of Directors oversees the activities of Executive Management and evaluates its performance regularly, in addition to his other responsibilities, that include chairing Board meetings, monitoring the performance of the CEO, and communication with shareholders. The Board of Directors has formed certain committees with specific powers for the sake of guiding the management team, supervising the running of operations and taking decisions in the Company. The Board of Directors supervises the Company's management directly & through its various committees.

The Board of Directors has specified and segregated responsibilities between the Board and the Executive Management. The Board oversees all the activities of the Company and approves the same. It is responsible for Risk Management, the preparation of financial statements and corporate governance. The other issues that require approval of the Board include, inter alia, approval of financial statements, acquisitions and exits. The Board also ensures observance of the basic values of the Company, as prescribed in the internal policies of the Company.

All Company policies are being reviewed and approved on annual basis. In coordination with the Internal Audit Unit, the Risk Management Unit follows-up the validation and implementation of the policies and procedures under the supervision of the relevant committees. The Board of Directors is also responsible for approving Related Party transactions, subject to the schedule of Authorities adopted by the Company. The Board of Directors is also responsible for preparing the consolidated financial statements of the Company.

The members of the Board may communicate with the Company's Executive Management at all times. The CEO, in cooperation with the management team, shall monitor the Company's performance with regard to specific and (approved) objectives and shall conduct the Company's daily affairs pursuant to the policies, objectives, strategies and guidelines adopted and approved by the Board of Directors from time to time.

The Board of Directors consists of seven members, and their experience is mix of highly professional and specialized experience in their field of specialization and in the Real Estate Investment field.

INOVEST has a written appointment agreement with each member of the Board of Directors, which recites the members of Board of Director's power, and duties and other matters relating to his appointment including his term, the time commitment envisaged, the committee assignment if any, his remuneration and expense reimbursement entitlement, and his access to independent professional advice when that is needed.

3. Members of the Board of Directors and their other memberships

The following tables show the names and the date of the first membership of the Board of Directors:

Member	Term of Appointment	Date of First Appointment	Date of the end of current Term	Type of Membership	Position	Notes
Mohammad Hamed Al Shalfan	Three Years	29th April 2021	Q1-2024	Independent	Chairman	-
Mohamed Salah Al Ayoub		29th April 2021		Executive	Vice Chairman	-
Abdulaziz Assad Alsanad		29th April 2021		Executive	Member	-
Mohammed Abdualwahab Almatook		29th April 2021		Independent	Member	-
Abdullah Mohamad Alabduljader		29th April 2021		Independent	Member	-
Abdulaziz Fahad Dakheel		29th April 2021		Executive	Member	-
Ausama Abdulrahim Alkhaja		29th April 2021		Independent	Member	-

4. Director Ownership of Shares

The below table demonstrates the shares of the company owned by Board member as at 31st December 2021:

Board Member	No. of Shares	Percentage (%)
Abdulaziz Assad Alsanad	5,508,188	1.83
Abdulaziz Fahad Dakheel	600,000	0.20

5. Distribution of Shareholding

5.1 Distribution of Shares per Nationality

As of 31st December 2021, the Company's register show that there were 680 shareholders who own in total 300,836,787 shares. Following is the distribution of shares in the Company per nationality:

Nationality	Number of Shares	Ownership %
Bahraini	18,982,721	6.31
Kuwaiti	270,825,030	90.02
Emirati	3,619,751	1.20
Saudi	6,003,018	2.00
Others	1,406,267	0.47
Total	**300,836,787**	**100**

5.2 Shareholders Who Own 5% or more of Company's Shares

The following schedule shows number and names of shareholders who own 5% of Company's shares or more as of 31 December 2021:

Shareholders	Number of Shares	State	Ownership %
Gulf Investment House (GIH)	42,930,670	Kuwait	14.27
Mechanism General Trading Company	26,197,500	Kuwait	8.71
Abdulwahab Assad Alsanad & his group Sanad Co. for buying and selling shares and bonds	25,625,257	Kuwait	8.52
Dubai Islamic Bank	20,736,327	United Arab Emirates	6.89

5.3 Distribution of Share Ownership per Quantity/Size

The following schedule shows the distribution of share ownership as of 31 December 2021 as per shareholding size:

Categories:	Number of shares	Number of Shareholders	Ownership %
Less than 1%	38,670,199	658	12.85
1% up to less than 5%	146,676,834	18	48.76
5% up to less than 10%	72,559,084	3	24.12
10% up to less than 20%	42,930,670	1	14.27
Total	**300,836,787**	**680**	**100**

5.4 Ownership by Government

None of the share of the company was owned by the Government as at 31st December 2021.

6. Board of Directors Committees

The Board of Directors formed three committees having specific assignments and powers:

Corporate Governance, Nomination & Remuneration Committee Members	Position	Responsibilities	Type of Membership
Abdulaziz Assad Alsanad	Chairman	Corporate Governance, Human Resources, Compensation & Benefits Management Issues	Executive
Abdullah Mohamad Alabduljader	Vice Chairman		Executive
Mohammed Abdualwahab Almatook	Member		Independent

Audit & Risk Committee Members	Position	Responsibilities	Type of Membership
Ausama Abdulrahim Alkhaja	Chairman	Internal Audit External Audit Compliance Anti-Money Laundering Risk Management	Independent
Mohamed Salah Al Ayoub	Vice Chairman		Executive
Abdulaziz Fahad Dakheel	Member		Executive

Meetings of the Board of Directors shall be held in accordance with the regulations at least once every quarter and whenever necessary, in addition to the meetings of the Committees of the Board. During 2021, the Board of Directors met five times and the Annual General Meeting of the Company was held on 22 March 2021.

In addition, the Audit & Risk Committee met four times and the Nomination , Remuneration and Corporate Governance Committee had two meetings.

The Board of Directors and its committees receive periodical reports from Executive Management on all aspects of the Company's activities. The Board also receives periodical reports from the Internal Audit Department, Risk and Compliance Department, and Finance Department.

Audit & Risk Committee

INOVEST's Board formed an Audit & Risk committee of three members, including the chairman as an independent member and two executive members.

The Audit & Risk Committee has relevant financial ability and experience, which Include:

The ability to read and understand corporate financial statements including a company's balance sheet, income statement and cash flow statement and changes in shareholders' equity.

An understanding of the accounting principles which are applicable to the company's financial statements, experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in the company's business, an understanding of internal controls and procedures for financial reporting, and an understanding of the audit committee's functions and importance.

The Audit & Risk Committee Meets at least 4 time a year. The Committee has a formal written charter.

Nomination, Remuneration & Corporate Governance Committee:

INOVEST's Board formed a Nomination, Remuneration and Corporate Governance Committee of three members, two independent and one Executive.

The Nomination and Remuneration Committee shall meet at least twice a year. The Committee has a formal written charter.

Here are the names of the members of the Board of Directors and denominated position and other position they hold:

Mohammed Hamed Al Shalfan
Chairman
Independent

Mr. Mohammed Al Shalfan joins INOVEST with over 18 years of experience in the real estate, financial, and contracting sectors. Mr. Al Shalfan is the residing CEO of Al-Masaken International for Real Estate Development Company (KSC). In addition to his membership in the INOVEST Board of Directors, he also sits on the Board of Warba Bank. He has been an active member in numerous boards of both local and international entities, most notably the Kuwaiti Manager Holding Company "KMC", KMC for Real Estate Projects Management, KMC Bahrain, KMC Saudi Arabia, Baytik Real Estate in Saudi Arabia and Al-Masaken in the United Kingdom.

Mr. Mohammed Al Shalfan holds a bachelor's degree in civil engineering from the University of Colorado (USA), a master's in business administration from DePaul University (USA) and has successfully completed a Harvard University Executive Program (USA).

Dr. Abdulaziz Fahad Al Dakheel
Board Member
Executive

Dr. Abdulaziz Al Dakheel has over 30 years of experience in analysis, development, and marketing of investments and shariah compliant financial products. Dr. Al Dakheel is the owner of AFD Consulting which had in the past associated with Barclay's Capital (Geneva) for regional product placement. Dr. Al Dakheel was pivotal in the establishment of a number of investment banks and institutions such as Venture Capital Bank (Bahrain), Ibdar Bank, and GFH. At present, Dr. Al Dakheel sits on the Boards of the Takreerat Oil Recycling and Blending Company and the Al-Baz Industrial Corporation, as well as Bayt Alnomow Capital Company (BNC). Dr. Al Dakhaeel has held numerous board seats in financial institutions across his tenure, including Adeem Capital Investment Bank, Ibdar Bank, Venture Capital, Al Khaleej Development Company (TAMEER), Reef Real Estate Finance Co., Tabuk Agricultural Development Co., and BNC.

Dr. Abdulaziz Al Dakheel holds a Bachelor of Science in Computer Engineering from the University of Washington (USA), a master's degree in business administration from Hull University (UK), and a PHD in Economics from the American University (UK).

Abdulaziz Assad Al Sanad
Board Member
Executive

Mr. Abdulaziz Al Sanad has over 15 years of practical experience in the fields of investment, capital markets, and corporate management. Mr. Al Sanad currently owns and manages Al Sanad Law Firm which is specialized in providing corporate and financial entities with legal support and guides their restructuring initiatives. Mr. Al Sanad is also the current Chairman of Gulf Investment house, having held this position since 2018. He has further held numerous Board memberships, including posts within Al Sanad Holding Group, Reem Real Estate Company and Abyar Real Estate Company.

Mr. Abdulaziz Al Sanad holds a bachelor's degree in Islamic Shariah from the University of Kuwait and a master's degree in law.

Abdullah Mohammed AlAbduljader
Board Member
Independent

Mr. Abdullah AlAbduljader has over 8 years of experience in the investment industry, with targeted experience in personal direct investments, corporate restructuring, private equity, and venture capital. Mr. AlAbduljader is Chief Strategic Officer of Loud Table MMC which has a focus on investment deals from structuring through to closing and exit. Mr. AlAbduljader is a current board member in YAICO Medical Company K.S.C and has held positions in several private organizations.

Mr. Abdullah AlAbduljader holds a bachelor's degree in Finance from the Gulf University for Science and Technology (Kuwait) and a master's degree in business administration and finance from Kuwait University (Kuwait).

Ausama Abdulrahim Al-Khaja
Board Member
Independent

Mr.Ausama Al-Khaja is a seasoned professional with over 34 years of experience in the fields of finance, investment, real estate, trading, and infrastructure. Mr. Al-Khaja's career includes numerous milestones including a post as Head of Project Development (KFH Bahrain), co-founder of Aion Digital Company, a fintech engaged in developing digital platforms across the GCC, and founder of Al Dar Project Development, which is engaged in promoting and developing various projects in real estate and social infrastructure sectors. Mr. Al-Khajah is currently Chairman of Spire Technologies which handles open financial services and is also a board member in numerous companies including Baytik Industrial Oasis WLL, Next Energy WLL, Al Dar Project Development WLL and the LMRA.

Mr. Al-Khaja holds a bachelor's degree in accounting from the University of Bahrain (Kingdom of Bahrain), a has a CPA degree from the California State Board of Accountancy (USA).

Mohammed Abdulwahab Al Matook
Board Member
Independent

Mr. Mohammed Al Matook has over 17 years of experience in property development and commercial malls and mall management across Kuwait, Oman, and the Kingdom of Bahrain. His expertise has been in business acceleration, and strategic growth and development. Mr. Al Matook has had a range of multi-disciplinary experiences having held the position of Deputy CEO of Al Hamra Real Estate Company, Kuwait, and as Senior Vice President of the Leasing Department at ALARGAN International Real Estate Company in Kuwait, Oman, and Bahrain. Currently he is a board member at Hilal Cement Company and Managing Director at Al Matooq Combined Group.

Mr. Mohammed Al Matook holds a Bachelor of Science in Civil Engineering from Florida Institute of Technology (USA) and a master's in business administration from Florida International University (USA).

Mohammed Salah Al-Ayoub
Vice Chairman
Independent

Mr. Mohammed Al-Ayoub is a finance and investment professional with over 21 years of experience. He is currently CEO of Gulf Investment House Company and has similarly held other executive positions in numerous entities, including that of CEO of Ektitab Holding Company and prior to the President of Asset Department at Al Madina for Finance and Investment. Mr. Al-Ayoub's experience across the years has ranged from portfolio management across international regions to trading and dealing room management. Mr. Al-Ayoub is currently vice chairman of Afkar Holding Company.

Mr. Al-Ayoub holds a Bachelor of Science from Kuwait University (Kuwait).

7. Dates of Board of Directors Meetings and its Committees

Board of Directors: Four meetings were held during 2021:

Board Member	Meeting Date					
	10th May 2021	20th May 2021	9th June 2021	4th August 2021	9th November 2021	Attendance %
Mohammad Hamed Al Shalfan	✓	✓	✓	✓	✓	100%
Mohamed Salah Al Ayoub	✓	✗	✓	✓	✓	80%
Abdulaziz Assad Alsanad	✓	✓	✓	✓	✓	100%
Abdulaziz Fahad Dakheel	✓	✓	✓	✓	✓	100%
Mohammed Abdualwahab Almatook	✓	✓	✓	✓	✓	100%
Abdullah Mohamad Alabduljader	✓	✓	✓	✓	✗	80%
Ausama Abdulrahim Alkhaja	✓	✓	✓	✓	✓	100%

*Previous Board of Directors met on 18th February 2021

Nomination, Remuneration & Corporate Governance Committee: three meetings were held during 2021:

Board Member	Meeting Date		
	4th August 2021	9th November 2021	Attendance %
Abdulaziz Assad Alsanad	✓	✓	100%
Abdullah Mohamad Alabduljader	✓	✗	50%
Mohammed Abdualwahab Almatook	✓	✓	100%

*Previous Board member's committee met on 18th February 2021

Audit & Risk Committee: four meetings were held during 2021:

Board Member	Meeting Date			
	4th August 2021	9th November 2021	29th December 2021	Attendance %
Ausama Abdulrahim Alkhaja	✓	✓	✓	100%
Mohamed Salah Al Ayoub	✓	✓	✓	100%
Abdulaziz Fahad Dakheel	✓	✓	✓	100%

*Previous Board member's committee met on 18th February 2021

8. Code of Ethics

The Board of Directors has adopted a code of ethics applying to all the staff. This code defines how to deal with cases involving conflicts of interest. It obliges all the members of the Board of Directors, Executive Management, and all employees to follow the highest professional measures and care while performing their duties.

All Board members and employees act ethically at all times and adhere to the Company's Code of Conduct.

In the event that a member of the Board of Directors becomes aware of an issue that may be tainted by a conflict of interest, he must notify the Board of that for the purpose of enabling the Board to take appropriate actions and decisions. The Board Charter also states that a member must be absent from discussions or decisions that involve a potential conflict of interest.

Each Board member at INOVEST understands that under INOVEST's rules and regulations he/she is personally accountable to the company and its shareholders if he/she violates the code of ethics and legal duty of loyalty to the company.

Every effort should be made by Board members to ensure that there is no conflict of interest between their personal and business affairs and the interests of the company and its clients and shareholders.

9. Induction and Training of Directors

INOVEST makes sure that all its Board's members have the knowledge, ability and experience to perform the functions required of a Board member. Hence, an awareness program is conducted for the new and existing Board members.

10.Performance Evaluation

Corporate Governance Guidelines as well as CBB guidelines, Board carried out a formal performance evaluation for all Board of Directors members. The evaluation is aimed to assess Board effectiveness and support in identifying the need for creating an effective Board, strategic foresight, stewardship, performance evaluation, professional development, engage with Management and performance of Individual Board Members.

The Board conducts an annual evaluation of its performance and the performance of each committee and each individual director.

11. Remuneration

Board of Directors' remuneration takes into consideration the Company performance as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. The AGM determines the Board of Directors' remuneration, and it is subject to the provisions of the Commercial Companies Law and to any decisions issued by the Minister of Industry, Commerce and Tourism, as well as the regulations of the Central Bank of Bahrain.

INOVEST's Board of Directors establish a Remuneration Committee to review and adopt the remuneration policies, and to monitor the remuneration system and ensure its proper implementation and management, and to make recommendations concerning the remuneration of the Board of Directors in the General Assembly meeting. The total Board remuneration was US$ 248,596 in 2021.

12. Compliance with Regulatory Authorities Requirements

Being an Islamic Financial Institution, the Company observes a Policy of compliance at all times with the rules and regulations of regulatory authorities. It is Company Policy to disclose all events of non-compliance whenever they occur. Compliance has been improved through ongoing enhancement of the governance framework, the bedding-in of the comprehensive Corporate Governance Guide, in accordance with the Corporate Governance Code and CBB Rulebook HC Module, as prescribed in the Central Bank of Bahrain Rule Book. The Corporate Governance Guide includes a code of ethics for the Board and all committees under it. It also includes a Conflicts of Interest Policy, procedures for the reporting of offences, basic guiding principles for corporate governance, Board members' appointment agreement, Board members' performance evaluation Policy, and an External Advisors policy.

The Company continues to review and develop its corporate governance framework, in accordance with the changing requirements of regulatory authorities, and in compliance with global corporate governance best practice. In the interest of maintaining the highest standards of Corporate Governance at the company, and for its shareholders, the company is committed to keeping the members of the Board of Directors appraised of industry best practice, and to addressing any of their queries with regard to sound Corporate Governance. The Company, through the Board of Directors and its committees, aims to meet the highest standards of corporate governance, in the interest of its shareholders

13. Sharia Supervisory Board

The Sharia Supervisory Board consists of three members who monitor compliance by the Company with the general principles and rules of Islamic Sharia, Fatwas, resolutions and guidelines issued for such purpose. The Board's reviews include examining and reviewing the evidences related to the documents and the procedures followed by the Company to ensure that all its activities and business transactions are in compliance with the principles and rules of Islamic Sharia. Following are the names of members of the Sharia Supervisory Board with a summarized profile of each.

Shaikh Dr. Mourad Bou Daia

Shaikh Dr. Bou Daia holds several esteemed positions; as a doctorate in Islamic Jurisprudence, he is also a researcher and interpreter of the laws of jurisprudence in Kuwait, as well as teacher working in collaboration with Kuwait University's College of Sharia. Shaikh Dr. Bou Daia is a member of several shariah committees in Qatar, and in a number of committees dedicated to the knowledge and supervision of shariah laws at the Ministry of Social Welfare in Kuwait. He is an active participant in several conferences on the knowledge and interpretation of Shariah laws, in Kuwait and abroad. Shaikh Dr. Bou Daia is a published author of several research studies related to the principles of shariah law. He serves as an advisor in Taiba Financial Sharia Consultation.

Shaikh Dr. Dawoud Salman bin Essa

Shaikh Dr. Bin Essa holds a PhD in Jurisprudence, Fundamentals of Jurisprudence, Financial Transactions and Governance and is a university professor at the Kuwaiti International College of Law, and also works as a Sharia financial advisor and general manager of the Taiba Sharia Consulting Company. Certified accountant by the Association of Accountants with a certificate (CZA), as well as he is a Sharia auditor with a certificate (CSA) from the Institute of Banking Studies, which is a certificate approved by the Central Bank of Kuwait, and he has participated in many jurisprudential and specialized conferences in Sharia audit.Sheikh Dr. Daoud bin Issa is an expert in governance, as he has worked in Sharia auditing and oversight in many Islamic financial institutions inside Kuwait since 2005 AD. He has also written a book entitled Governance and its Applications to Sharia Auditing and Supervision. He also participated in establishing a number of local Sharia consulting firms, and also participated in Membership of the Sharia Board of some companies in Kuwait.

Shaikh Dr. Khaled Shoja'a Al-Otaibi

Shaikh Dr. Al-Otaibi holds a doctorate in Islamic Jurisprudence and its originating principles. He is a member of the Faculty of Shariah and Islamic Studies - Jurisprudence Department, and an assistant professor at the Faculty of Basic Education. His background includes memberships in numerous committees including: member in the Shariah Board of Kuwaiti House of Zakat, member of the association of Jurisprudence and Shariah in America, a former member of the council for mosques, former member of the Committee for Endowments and Awaqaf, a member of the Shariah Board for Imtiyaz, a former member of the Shariah Board for UIB (Bahrain), a former member of the Shariah Commission associated with AlMashair for Hajj and Umrah services, and a former member of the Shariah Commission for Ain, a Takaful Insurance company.

14. Executive Management's Committees

The Board of Directors has delegated the day-to-day management of the Company's affairs to the CEO who is responsible for the implementation of the strategic plan of the Company. The CEO manages the Company through the following management committees:

Committee Name	Primary Responsibilities
Management Committee	• Corporate Strategy • Performance Assessment • Finance • HR • Administrative Issues
Assets & Liabilities Committee	• Manage the Balance Sheet • Financial Management • Liquidity Management • Banking Relations
Investment Management Committee	• Review of Investments • Exits Processes • Acquisitions Processes
Executive Risk Management Committee	• Risk Management Policies • Risk Management Strategy • Risk Review • Risk Assessment • Compliance Policy • Provisioning

15. Executive Management and Senior Management

Following are the job titles of the members of the Executive Management of the Company:

Yasser Hamad Al Jar
Chief Executive Officer

Mr. Yaser Al Jar is a seasoned professional with over 20 years of experience focused in the fields of audit and assurance services, commercial banking, investment banking, and real estate. Mr. Al Jar joined the Group in August 2011 as "Executive Director – Finance" in Al Khaleej Development Co. (Tameer), a wholly owned subsidiary of Inovest, and continued his journey to become Chief Executive Officer of INOVEST in 2019. Al Jar started his career in 1998, in the domain of external assurance services with Arthur Anderson, one of the largest international audit firms at that time. Subsequently, Al Jar held a number of key positions as Financial Controller in a number of reputable financial institutions, namely Shamil Bank of Bahrain (which has merged with Ithmaar Bank) and Qatar First Investment Bank. During this period, Al Jar was nominated on several Board committees, most significantly on the Executive Management Committee. Mr. Al Jar has the distinguished credentials of having worked in the Islamic banking sector on numerous levels, from dealing with a range of business products, to deal sourcing, and interacting with third parties, as well as financial and investment structuring. He further sits on the Boards of a number of real estate and construction-based companies.

Mr. Al Jar holds a B.Sc in Accounting from the University of Bahrain. He holds CIPA and CSAA certificates from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is an accredited instructor of the Islamic Accounting Standards issued by AAOIFI and member of the Technical Advisory and Interpretations Committee of AAOIFI. Furthermore, Al Jar is member of the working groups originated by AAOIFI to review and formulate the Islamic Accounting Standards.

Talal Abdulaziz Al Mulla
Chief Investment Officer

Mr. Talal Al Mulla joins the INOVEST team with over 19 years of experience in investment banking with an established track record in developing and managing investment portfolios as well as handling quasi-debt financing, capital preservation and return distribution.

Throughout his career, Mr. Al Mulla has held several progressive posts, including his most recent as Chief Investment Officer at Al Salam Bank Bahrain, where he played a critical role in deal sourcing and negotiation, structuring, risk management and portfolio control, as well as exit strategizing. Talal's background as both an accountant and an auditor further adds a specialized risk management and financial control framework to his investment acumen.

Mr. Al Mulla holds a B.Sc in Accounting from the University of Bahrain, and also holds CPA and CIA accreditations.

Dana Mohammed Al Haddad
Head of Corporate Communications & HR

With over 16 years of communications experience within the financial sector, Dana Al Haddad, is responsible for Inovest's corporate communications, branding, PR, internal communications, and events. During her career Dana's scope of communications work has been focused on the financial, investment, and real estate sectors, but has also touched upon mortgage finance .Having been appointed Head of Human Resources and Administration in 2015, Dana also manages all HR matters across the Group, from strategic planning, administration, to the application and coordination of all HR policies and programs. Within the scope of administrative works, Dana also oversees the IT function within the company.

Dana graduated summa cum laude with a Master's Degree in Business Administration from Strathclyde University, Scotland, and with a BSC in Marketing and Economics from Concordia University, Canada

Yusuf Ebrahim Maraghi
Director – Finance

Mr. Yusuf Maraghi joined the INOVEST team in 2018, with over 17 years of experience in the field of finance and accounting. Across his career, Mr. Maraghi held responsibility for finance strategy, managing the corporate accounts, intercompany and interbank relations, as well as budget development and approval, and streamlining financial policies and procedures. Prior to joining the team, Yusuf was Head of Finance as Eazy Financial Services, and held positions in major academic institutions, and in AlSalam Bank before that.

Yusuf graduated from the University of Bahrain with a BSC degree in Accounting and is currently working on being a Certified Islamic Public Accountant and on an IFRS Program.

Hamad Abdulla Zainalabedeen
Head of Internal Audit

Hamad Zainalabedeen joined Inovest BSC in 2009 as the Head of Internal Audit Department. Mr. Zainalabedeen has worked in a number of local and world renowned financial institutions and professional audit firms over the last 21 years with extensive auditing experience in Islamic Investment Banks, Investment Businesses, Manufacturing Enterprises, Governmental Organizations and other sectors.

Prior to joining Inovest, Mr. Zainalabedeen held leading positions in Internal Audit at Investment Dar Bank and Gulf Finance House. Hamad also worked with Ernst & Young and Arthur Andersen as an external auditor.

Hamad holds an Executive MBA and Bachelors of Science in Accounting from the University of Bahrain.

Fathi Mohamed
Director- Legal

Mr. Fathi brings with him over 30 years of experience in the legal field, combined with practical, first-hand experience of the laws and legislatures of the Gulf countries in addition to those of Egypt. Mr. Fathi started his career as a lawyer in Cairo and then moved on to being a legal consultant in Dubai, UAE. Mr. Fathi progressed to working as a legal advisor in the State of Kuwait, gaining a broad range of experience over the span of 16 years in the field with a number of reputable companies before moving to Bahrain to work as Director of the legal department of Inovest at the end of January 2021. Mr. Fathi holds a Bachelor's degree in Law from Cairo University (1988) and has furthered his education through numerous legal certifications and programs dedicated to the legal aspects of investment activities and commercial contracts from both local and foreign institutions.

16. Executive Management Shareholding

The executive & Senior Management do not hold any shares in the company.

17. Executive Management Remuneration

The Company Establishes management remuneration in line with approved internal policies, procedures and guidelines. The qualification of such remuneration set by the company's Board of Directors. The total salaries, allowances and remuneration paid to the senior Management was US$1,821,463 in 2021.

18. Related Party Transactions

The details of related party transactions are shown under Note (28) of the Consolidated Financial Statements for the year ending 31 December 2021 as per Article (189) of the Commercial Companies Law.

19. Compliance Control and Money Laundering Combating

Company recognizes its responsibility of compliance with all the related provisions by implementing global best practice. The Company has established a unit for regulatory control, to ensure adherence to the guidelines & rules of the Central Bank of Bahrain. This unit acts both to ensure observance of the principles of Islamic Sharia and regulatory rules, and the implementation of Compliance best practice.

The procedures for combating money laundering form a major part of compliance assignments. The Company maintains specific policies and procedures, approved by the Board of Directors, for money laundering prevention. These include a Client Due Diligence process, reporting of suspicious transactions, periodical staff awareness and training programs, & record-keeping, as well as the key policy of appointment of an officer dedicated to money laundering prevention. Money laundering prevention Policy & Procedures are reviewed annually by external auditors, who report their findings to the Central Bank of Bahrain. The Company is committed to combating money laundering, and to implementing all AML rules, principles and guidelines issued by the Central Bank of Bahrain.

Pursuant to HC Module of the CBB Rulebook (Volume 4 - HC Module) that refers to the principle of "Comply or Explain", which provides that it is necessary for the Company to interpret non-compliance events with the recommendations prescribed in the Rulebook, the Company is pleased to inform the shareholders that the Company is in compliance with CBB rules and guidance.

20. Employment of Relatives Policy

It is part of the company's policy that the first-degree relatives of an existing employee, with "approved persons" status (as per CBB guidelines) may not be employed by the company, unless exceptionally permitted by the CEO, within the noted regulatory perimeters.

21.External Auditor

The AGM held on 22 March 2021 approved reappointing M/S Ernst & Young to conduct the review and audit of the Company's consolidated financial statements for the year ended 31 December 2021. Total fees approved by the Board of Directors for the external auditors were US$ 40,042.

22. Communications with the Investors

INOVEST communicate to investors through the adherence with both Bahrain Bourse and Kuwait Boursa rules and regulations with regard to disclosure of material information beside the press releases the Company issued. The Investor may communicate with the Company via visiting its official website to view the financial data and statements, and all the other information included in the website.

SHARIA SUPERVISORY BOARD REPORT

Sharia Supervisory Board Report on the activities of INOVEST B.S.C.Company

For the Financial Year Ended on 31 December 2021

In The Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

To the Shareholders of INOVEST B.S.C.Company,

Acting as Sharia Supervisory Committee pursuant to the appointment resolution passed by the General Assembly of the Company, we are required to provide the following report:

The Sharia board of INOVEST B.S.C.Company has reviewed the Company principles, contracts or agreements related transactions, and applications submitted by the Company for the financial year ended on 31 December 2021, and upon comparing them with the fatwa and rulings issued during the financial year ended on 31 December 2021, we found them compatible with the above mentioned fatwa and rulings.

We 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 INOVEST B.S.C.Company has not violated Islamic Shari rules and principles.

The Sharia board believes that it has expressed its opinion in respect of the activities carried out by INOVEST B.S.C.Company, and the management is responsible for ensuring that the Company conducts its business in accordance with Islamic Shari, However, our responsibility is limited to form an independent opinion based on our review of the activities and operations conducted by INOVEST B.S.C.Company.

In our opinion:

The contracts, transactions and dealings entered into by the Company during the financial year ended on 31 December 2021 that we have reviewed are in compliance with the Islamic Shari rules and principles.

The calculation of Zakat is in compliance with Islamic Shari rules and principles.

The Sharia board has also discussed with the representative of the company the financial statements for financial year ended on 31 December 2021, and the Sharia board is satisfied that these statements are in compliance with the Islamic Sharia.

This report has been prepared based on the information provided by the company, the Sharia board is satisfied that the company activities are in compliance with the Islamic Sharia.

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

Sheikh Dr. Khalid Shuja'a Al-Otaibi

Chairman ----------------------------------

Sheikh Dr. Murad Bou Daia

Member ----------------------------------

Sheikh Dr. Dawoud Salman Bin Essa

Executive Member ----------------------------------

INDEPENDENT AUDITORS' REPORT

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 Inovest B.S.C. (the "Company") and its subsidiaries (together the "Group"), which compromise 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.

1. Allowance for expected credit losses	
Refer to notes 3, 4, 5 & 6	
Key audit matter / risk	**How the key audit matter was addressed in the audit**
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. 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. Due to the significance of receivables and subjectivity involved in the determination of ECL, this is considered as a key audit matter.	Our audit procedures included, among others: Testing the accuracy of ageing of receivables. Assessing the appropriateness of segmentation of receivables of customers based on credit characteristics. Assessing the Group's ECL allowance process including reasonableness of the inputs used. Assessing the adequacy of the disclosures in relation to receivables and allowance for ECL.

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)

2. Valuation of Investments	
Refer to notes 3, 4, 7, 8 & 9	
Key audit matter / risk	**How the key audit matter was addressed in the audit**
The Groups investments comprise of: i) Equity-type instruments at fair value through equity ("FVTE"); ii) Investments in real estate; and iii) Investment in joint venture and associates 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. 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.	Our audit procedures included, among others, the following: Understanding the process of valuations of investments for the purpose of assessing changes in fair value of investments or impairment assessment. Obtaining independent external valuation reports and assessing the appropriateness of the valuation methods and assumptions taken by the valuers. Involved internal valuation specialists to evaluate the valuations performed for a sample of investments. We assessed the adequacy of the Group's disclosures in relation to these investments by reference to the requirements of the relevant accounting standards.

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.

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.

Ernst + Young

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Expressed in US$000's)

	Note	2021	2020
ASSETS			
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
TOTAL ASSETS		**243,479**	241,432
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	13	**69,123**	69,263
Ijarah liability	14	**274**	-
Financing from a bank	15	**5,757**	5,439
Total liabilities		**75,154**	74,702
Owners' Equity			
Share capital	16	**120,334**	120,334
Less: Treasury shares	16	**(1,309)**	(1,309)
		119,025	119,025
Reserves	17	**6,864**	6,071
Retained earnings		**17,198**	16,527
Equity attributable to Parent`s shareholders		**143,087**	141,623
Non-controlling interest		**25,238**	25,107
Total owners' equity		**168,325**	166,730
TOTAL LIABILITIES AND OWNERS' EQUITY		**243,479**	241,432

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.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021
(Expressed in US$000's)

	Note	2021	2020
OPERATING INCOME			
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
TOTAL OPERATING INCOME		**5,568**	8,986
OPERATING EXPENSES			
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**	-
TOTAL OPERATING EXPENSES		**8,912**	10,776
NET OPERATING LOSS		**(3,344)**	(1,790)
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
PROFIT FOR THE YEAR		**877**	5,690
Attributable to :			
Equity shareholders of the Parent		**746**	5,026
Non-controlling interest		**131**	664
		877	5,690
BASIC AND DILUTED EARNINGS PER SHARE (US$ cents)	27	**0.25**	1.69

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.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2021
(Expressed in US$000's)

	Equity attributable to Parent's shareholders							
			Reserves					
	Share capital	Treasury shares	Statutory reserve	Fair value through equity reserve	Retained earnings	Total equity	Non-controlling interest	Total owners' equity
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)	-	-	-
At 31 December 2021	**120,334**	**(1,309)**	**4,651**	**2,213**	**17,198**	**143,087**	**25,238**	**168,325**
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.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND
For the year ended 31 December 2021
(Expressed in US$000's)

	2021	2020
Sources of charity funds		
Undistributed charity funds at the beginning of the year	**24**	14
Contributions made by the Company	-	10
Undistributed charity funds at 31 December	**24**	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
(Expressed in US$000's)

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

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.

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:

Name of the subsidiary	Ownership 2021		Country of incorporation	Year of incorporation	
Held directly by the Company					
Al Khaleej Development Co. W.L.L.	**100.00%**	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.:

Name of the subsidiary	Ownership 2021		Country of incorporation	Year of incorporation	
Held indirectly by the Company					
Bahrain Investment Wharf B.S.C. (c)	**100.00%**	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)	**100.00%**	100.00%	Kingdom of Bahrain	2007	Contracting activities
Dannat Resort Development Company Limited	**67.57%**	67.57%	Cayman Islands	2008	Managing and Development of Real Estate Projects
Tamcon Trading W.L.L.	**100.00%**	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) *	**100.00%**	100.00%	Kingdom of Bahrain	2014	Construction and maintenance of villas.
Panora Interiors W.L.L.	**100.00%**	100.00%	Kingdom of Bahrain	2015	Carpentry and joinery works.
BIW Labour Accommodation Co W.L.L.	**60.21%**	60.21%	Kingdom of Bahrain	2007	Buying, selling and management of properties.

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

*** ERESCO 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 ERESCO 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 ERESCO 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:

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 ERESCO 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 ERESCO 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 ERESCO's expertise and contributions through their representatives; and

12 Relieves ERESCO from any obligations related to the Project and ERESCO 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 ERESCO, which states that the later will not have any right in the share of assets and profits of ERESCO Tamcon JV B.S.C. (c).

Considering the key terms of the above arrangement and despite the legal form, ERESCO 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.

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

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

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.

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 Biltamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Biltamleek 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) Ijara 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.

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.

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.

(Expressed in US$000's)

5 CASH AND BANK BALANCES

	2021	2020
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	**18,642**	17,568
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	**26,376**	23,399

Movements in the provision for expected credit loss:

	2021	2020
At 1 January	**142**	475
Charge / (reversals) during the year	**19**	(333)
	161	142

6 ACCOUNTS RECEIVABLE

	2021	2020
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
	43,883	46,977
Less: provision for expected credit losses	**(23,472)**	(23,905)
	20,411	23,072

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	2020
At 1 January	**23,905**	27,397
Write back during the year	**(433)**	(6,038)
Impact of adoption of FAS 30	**-**	2,546
At 31 December	**23,472**	23,905

(Expressed in US$000's)

7 INVESTMENTS

	2021	2020
Equity-type instruments at fair value through equity - Unquoted		
Equity investment in real estate	**12,964**	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

	2021	2020
At 1 January	**95,681**	87,387
Acquisitions during the year	**-**	9,265
Net share of loss	**(223)**	(10,173)
Gain on bargain purchase	**-**	9,574
Distributions during the year	**(410)**	(372)
At 31 December	**95,048**	95,681

The Group has an investment in the following joint ventures:

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

Summarised financial information of joint ventures

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

	2021	2020
Total assets	**62,245**	61,299
Total liabilities	**2,476**	2,184
Total net profit / (loss)	**649**	(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:

(Expressed in US$000's)

8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

Name of associate	Principal activities	Ownership		Country of incorporation	Carrying value	
		2021	2020		**2021**	2020
Durrat Marina Investment Company Ltd.	Development and sale of commercial and residential properties	**46.49%**	45.49%	Cayman Islands	**45,498**	45,166
Takhzeen Warehousing and Storage Company B.S.C. (c)	Management and maintenance of warehouses	**37.24%**	37.24%	Kingdom of Bahrain	**4,371**	4,580
Boyot Al Mohandseen Contracting Company	Development of real estate in Dhahran, Kingdom of Saudi Arabia	**23.17%**	23.17%	Kingdom of Saudi Arabia	**3,042**	3,042
					51,903	52,788

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

	2021	2020
Summarised financial information of associates		
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	2020
At 1 January	**76,824**	77,402
Additions during the year	**2,700**	1,776
Disposals during the year	**-**	(2,354)
At 31 December	**79,524**	**76,824**

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).

(Expressed in US$000's)

10 PROPERTY, PLANT AND EQUIPMENT

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

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

	2021	2020
Depreciation charged to contract costs (note 19)	**238**	150
Depreciation charged to expenses	**728**	872
	966	1,022

11 RIGHT OF USE ASSET

	2021
Cost	
Opening	-
Additions	**328**
	328
Accumulated amortisation	
At 1 January	-
Charge	**64**
	64
Net book value	**264**

(Expressed in US$000's)

12 OTHER ASSETS

	2021	2020
Advances to contractors	**274**	450
Prepayments	**257**	368
	531	818

13 OTHER LIABILITIES AND ACCOUNTS PAYABLE

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

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	2020
As at 1 January	**7,672**	8,497
Additions*	**2,122**	284
Settlements	**(476)**	-
Reversal	**(5,929)**	(1,109)
As at December	**3,389**	7,672

*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.

(Expressed in US$000's)

14 IJARAH LIABILITY

	2021
As at 1 January	-
Additions	330
Amortisation of deferred ijarah cost	11
Payments	(67)
As at December	274
Within one year	117
After one year but not more than five years	157
Total	274

15 FINANCING FROM A BANK

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

(Expressed in US$000's)

16 SHARE CAPITAL (continued)

Additional information on shareholding pattern (continued)

At 31 December 2021

Name	Incorporation	Number of shares	holding %
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%
		300,836,787	100%

At 31 December 2020

Name	Incorporation	Number of shares	holding %
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%
		300,836,787	100%

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.

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

At 31 December 2021

	No. of shares	No. of shareholders	% of total outstanding shares
Categories:			
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%**
	300,836,787	**677**	**100%**

At 31 December 2020

	No. of shares	No. of shareholders	of total % outstanding shares
Categories:			
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%
	300,836,787	671	100%

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

(Expressed in US$000's)

16 SHARE CAPITAL (continued)

Additional information on shareholding pattern (continued)

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

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).

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

	2021	2020
Contract income	5,361	4,595
Contract costs	(4,952)	(1,529)
	410	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

	2021	2020
Rental income	3,140	5,017
Realised losses on sale of investment in real estate	-	(157)
	3,140	4,860

21 INCOME FROM INVESTMENTS

	2021	2020
Impairment loss on investment at fair value through equity	(24)	(1,954)
Realized gain on sale / liquidation of a subsidiary	-	6
	(24)	(1,948)

(Expressed in US$000's)

22 FEE FOR MANAGEMENT AND OTHER SERVICES

	2021	2020
Property and facility management income	**978**	1,269
Financial advisory service charges	**63**	63
Other management services	**80**	79
	1,121	1,411

23 OTHER INCOME

	2021	2020
Profit on short-term deposits	**569**	573
Electricity and water services	**119**	523
Others*	**456**	1,100
	1,144	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).

24 STAFF COSTS

	2021	2020
Salaries and benefits	**3,318**	4,539
Other staff expenses	**705**	319
	4,023	4,858

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
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
	2,384	2,710

(Expressed in US$000's)

26 NET IJARAH COST

	2021	2020
Amortisation of right of use asset	64	-
Amortisation of deferred ijarah cost	11	-
	75	-

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:

	2021	2020
Income attributable to the equity shareholders of the parent for the year	746	5,026
Weighted average number of shares		
outstanding at the beginning and end of the year	297,162	297,162
Earnings per share - US$ cents	0.25	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.

(Expressed in US$000's)

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			
	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total
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	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			
	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total	Associates and joint venture	Key management personnel/ Board members/ external auditors	Other related parties	Total
Income								
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)
Expenses								
Staff costs	-	1,821	-	1,821	-	1,691	-	1,691
General and administrative expenses	11	213	247	471	17	338	53	408
	11	2,034	247	2,292	17	2,029	53	2,099

(Expressed in US$000's)

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2021	2020
Salaries and other benefits	**1,821**	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:

	31 December 2021				
	Investment and related services	Construction Contracts	Development and sale of industrial plots	Eliminations	Total
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)	**607**	**1,205**	**4,843**	**(1,087)**	**5,568**
Segment profit / (loss)	**2,585**	**(4,300)**	**2,703**	**(111)**	**877**
Segment assets	**386,215**	**40,124**	**122,708**	**(305,568)**	**243,479**
Segment liabilities	**137,777**	**13,156**	**53,071**	**(128,850)**	**75,154**

(Expressed in US$000's)

29 SEGMENTAL INFORMATION (continued)

	31 December 2020				
	Investment and related services	Construction Contracts	Development and sale of industrial plots	Eliminations	Total
Net revenues from external customers	740	3,066	5,885	(354)	9,337
Inter-segment transactions	151	-	314	(465)	-
Loss 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 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	2020
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.

(Expressed in US$000's)

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.

	Gross maximum exposure 2021	Gross maximum exposure 2020
Bank balances	**26,363**	23,388
Accounts receivable	**20,411**	23,072
Commitments and contingent liabilities	**2,200**	2,294
Total	**48,974**	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.

(Expressed in US$000's)

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
Geographic region:						
Kingdom of Bahrain	**196,527**	**75,123**	**2,200**	182,063	74,702	2,294
Other GCC countries	**46,952**	**31**	**-**	59,369	-	-
	243,479	**75,154**	**2,200**	241,432	74,702	2,294

	31 December 2021			31 December 2020		
	Assets	Liabilities	Contingent liabilities	Assets	Liabilities	Contingent liabilities
Industry sector:						
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	-
	243,479	**75,154**	**2,200**	241,432	74,702	2,294

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).

(Expressed in US$000's)

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:

	Up to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	No fixed maturity	Total
ASSETS									
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
Total assets	**29,800**	**2,418**	**2,217**	**4,579**	**155,842**	**3,957**	**27,337**	**17,329**	**243,479**
LIABILITIES									
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
Total liabilities	**4,681**	**4,459**	**2,118**	**4,412**	**6,631**	**3,316**	**46,789**	**2,748**	**75,154**
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

(Expressed in US$000's)

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:

	Up to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	No fixed maturity	Total
ASSETS									
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
Total assets	**20,950**	**16,498**	**248**	**2,663**	**162,854**	**29,174**	**-**	**9,045**	**241,432**
LIABILITIES									
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
Total liabilities	**5,849**	**1,609**	**1,447**	**2,601**	**12,545**	**-**	**50,105**	**546**	**74,702**
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.