

**AlKhair Holding B.S.C.(c)**

**REPORT OF THE BOARD OF DIRECTORS  
INDEPENDENT AUDITORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENT**

**31 DECEMBER 2022**

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**Al Khair Holding B.S.C. (c) (formerly known as Bank Alkhair B.S.C. (c))**  
**Administration and contact details as at 31 December 2022**

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<b>Commercial registration no.</b>	53462 on 29 April 2004	
<b>Board of Directors</b>	Dr. Ahmed Al Dehailan Sultan Abdul Rahman Abalkheel Abdulrahman Al Oraini Abdullah Saleh Al Sawi Fahad Abdulaziz Al Sekait Khaleed Shaheen	- Chairman - Vice-Chairman
<b>Registered office</b>	15 <sup>th</sup> Floor, West Tower, Bahrain Financial Harbour Building No. 1459. Manama Sea Front 346 Kingdom of Bahrain	
<b>Bankers</b>	Ahli United Bank Al Salam Bank Bahrain Middle East Bank	
<b>Auditors</b>	BDO 17 <sup>th</sup> Floor Diplomatic Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

# ALKHAIR HOLDING

## Report of the Board of Directors

**In the name of Allah, the Most Beneficial, the Most Merciful, Prayers and Peace be upon our Prophet Mohammed, His Companions and Relatives.**

On behalf of the Board of Directors ("BoD"), it is my privilege to present the annual report and consolidated financial statements of Alkhair Holding BSC (c) (Formerly: Bank Alkhair BSC (c) for the year ended 31 December 2022 (the "Company").

The Strategic Acquisition Fund and AKIIM Sdn Bhd., (formerly Alkhair International Islamic Bank) are in voluntary liquidation. Alkhair Gayrimenkul Yatirim Ve Ticaret A.S. (formerly Alkhair Portfoy Turkey), the Turkish subsidiary of the Company, is currently not operational, and the process to put it and other dormant subsidiaries under voluntary liquidation is in the final stages.

The BoD remains committed to manage the remaining proprietary assets of the Company until exits are achieved.

In closing, on behalf of the BoD I would like to extend our sincere appreciation to our shareholders for their unwavering support and confidence.

Dr. Ahmed Al Dehailan

  

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Chairman of the Board

## Report of the Board of Directors (continued)

ALKHAIR HOLDING B.S.C. (c)

P.O. Box 31700, Manama, Kingdom of Bahrain T + 973 17566000 | F+973 17566001 | C.R. No. 53462-1

# ALKHAIR HOLDING

## Directors' Remuneration and executive salaries

In accordance with the Article 188 of Bahrain Commercial Law and amendment degree No.28/2020, the details of salaries, bonuses, share in profits, attendance allowances, representation allowances, expenses, etc. towards administrative, advisory or any other business paid to the Board of Directors during the year 2022 are disclosed as under:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expense 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. Mr. Sultan Abdul Rahman Alkhatheer <sup>***</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Abdulrahman Al Oraili <sup>***</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Abdullah Salah Al Sawi <sup>***</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Fahad Abdulaziz Al Selch <sup>***</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1. Mr. Abdulrahman Al Oraili	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Rabeed Shaheen <sup>***</sup>	32,000	-	-	-	32,000	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1.	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	32,000	-	-	-	32,000	-	-	-	-	-	-	-	-

\* Note: All amounts are stated in United States Dollars.

\*\* Ex BOD member who's term expired in June 2022.

\*\*\* Appointed on the 27 July 2022.

No variable remuneration has been paid to Directors during the year ended 31 December 2022.

# ALKHAIR HOLDING

## Report of the Board of Directors (continued)

### Directors' Remuneration and executive salaries (continued)

The details of the remuneration paid during the year 2021 to the executive management, including salaries, benefits etc. are disclosed as under:

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	374,162 *	-	-	374,162

\* Note: All amounts are stated in United States Dollars.

No other in-kind remuneration paid to executive management during the year ended 31 December 2022.

Dr. Ahmed Al Dehailan



Chairman of the Board

**Independent auditor's report to the shareholders of  
Alkhair Holding B.S.C. (c) (formerly known as Bank Alkhair B.S.C. (c))**

**Report on the audit of the consolidated financial statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Alkhair Holding B.S.C. (c) ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the related consolidated statements of income, consolidated statement of changes in owners' equity, consolidated statement of cash flows 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 2022, and the consolidated results of the operations, changes in owners' equity, its cash flows for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

**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 of 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.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which discusses certain matters relating to the Group's liquidity position, accumulated losses and regulatory capital adequacy requirements, implications of these matters for the basis of preparation of the consolidated financial statements and management's action plans to deal with these matters.

Our opinion is not modified in respect of this matter.

**Other information included in the Group's consolidated financial statements**

Other information consists of the information included in the Board of Directors' 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 that 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.

**Independent auditor's report to the shareholders of  
Alkhaif Holding B.S.C. (c) (formerly known as Bank Alkhaif B.S.C. (c)) (continued)**

**Report on the audit of the consolidated financial statements (continued)**

**Responsibilities of the Board of Directors for the consolidated financial statements (continued)**

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.

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.



**Independent auditor's report to the shareholders of  
Alkhair Holding B.S.C. (c) (formerly known as Bank Alkhair B.S.C. (c)) (continued)**

**Report on the audit of the consolidated financial statements (continued)**

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

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

(A) As required by the Bahrain Commercial Companies Law with respect to the Company, we report that:

- (1) we have obtained all the information we considered necessary for the purpose of our audit;
- (2) the Company has maintained proper books of account and the financial statements are in agreement therewith; and
- (3) the financial information disclosed in Chairman's message and directors report is consistent with the books of accounts of the Company.

(B) As required by the Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that:

- (1) the Company has appointed a corporate governance officer; and
- (2) the Company has Board approved written guidance and procedures for corporate governance.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law or its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2022.



Manama, Kingdom of Bahrain  
24 July 2023



**AlKhair Holding B.S.C.(c)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

		31 December 2022	31 December 2021
	Notes	US\$ '000	US\$ '000
<b>ASSETS</b>			
Cash and balances with banks	5	8,057	6,979
Investments	7	51,613	43,716
Investment in associates	8	146,423	143,770
Investment in real estate	9	177,179	177,103
Other assets	10	7,970	9,886
Assets held-for-distribution	17	179	186
Equipment		18	31
<b>TOTAL ASSETS</b>		<b>391,439</b>	<b>381,671</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to financial institutions and customers	11	280,544	270,300
Other liabilities	12	8,980	10,147
<b>Total liabilities</b>		<b>289,524</b>	<b>280,447</b>
<b>Owners' equity</b>			
Share capital	13	207,962	207,962
Statutory reserve		664	664
Fair value reserve		179	179
Foreign currency translation reserve		(2,905)	(2,158)
Accumulated losses		(184,936)	(182,671)
<b>Equity attributable to shareholders of the Bank</b>		<b>20,664</b>	<b>24,076</b>
<b>Non-controlling interests</b>		<b>80,951</b>	<b>77,148</b>
<b>Total equity</b>		<b>101,615</b>	<b>101,224</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>391,439</b>	<b>381,671</b>



Ahmed Saleh S. Al Dehailan  
Chairman



Sultan Abdulrahman Abalkheel  
Vice Chairman

**AlKhair Holding B.S.C.(c)**  
**CONSOLIDATED STATEMENT OF INCOME**  
For the year ended 31 December 2022

		31 December 2022 US\$ '000	31 December 2021 US\$ '000
	Notes		
Income from non-banking operations	14	18,336	16,139
Income from investments - net	15	720	948
Share of profit from associates - net	8	10,916	-
Other Income		982	390
<b>Total Income</b>		<b>28,954</b>	<b>17,477</b>
Expenses of non-banking operations	14	8,832	10,264
Finance expense		17,620	16,426
Share of loss from associates - net	8	-	3,395
Staff cost		578	952
General and administrative expenses	16	594	1,122
Depreciation and amortisation of right-of-use asset		60	55
Foreign exchange loss - net		-	6
<b>Total expenses</b>		<b>27,484</b>	<b>32,220</b>
<b>Gain/(loss) for the year before impairment and discontinued operations</b>		<b>1,470</b>	<b>(14,743)</b>
(Loss)/Income from assets held for distribution and discontinued operations	17	(32)	587
Impairment charge	8	-	(608)
<b>Net gain/(loss) for the year</b>		<b>1,438</b>	<b>(14,764)</b>
Attributable to:			
Shareholders of the Bank		(2,365)	(17,660)
Non-controlling interests		3,803	2,896
		<b>1,438</b>	<b>(14,764)</b>



Ahmed Saleh S. Al Dehallan  
Chairman



Sultan AbdulRahman Abalkheel  
Vice Chairman

AlKhair Holding B.S.C.(c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Accumulated losses		
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>As at 1 January 2022</b>	207,962	664	179	(2,158)	(182,571)	24,076	101,224
Net (loss) / profit for the year	-	-	-	-	(2,365)	3,803	1,438
Foreign currency translation differences, net	-	-	-	(12)	-	-	(12)
Share of changes in reserves of associates	-	-	-	(735)	-	-	(735)
<b>As at 31 December 2022</b>	<b>207,962</b>	<b>664</b>	<b>179</b>	<b>(2,905)</b>	<b>(184,936)</b>	<b>20,964</b>	<b>101,915</b>
As at 1 January 2021	207,962	664	179	(2,470)	(164,911)	41,424	115,676
Net (loss) / profit for the year	-	-	-	-	(17,660)	2,886	(14,764)
Foreign currency translation differences, net	-	-	-	(8)	-	-	(8)
Share of changes in reserves of associates	-	-	-	320	-	-	320
<b>As at 31 December 2021</b>	<b>207,962</b>	<b>664</b>	<b>179</b>	<b>(2,158)</b>	<b>(182,571)</b>	<b>24,076</b>	<b>101,224</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

	<b>31 December 2022 US\$ '000</b>	<b>31 December 2021 US\$ '000</b>
Income / (loss) for the year	1,438	(14,764)
Adjustments for:		
Income from investments - net	(720)	(948)
Share of (profit)/loss from associates - net	(10,916)	3,395
Depreciation and amortisation of right-of-use asset	60	55
Impairment charge	-	608
	<b>(10,138)</b>	<b>(11,654)</b>
Changes in:		
Financing receivables	-	782
Other assets	1,871	2,417
Due to financial institutions and customers	10,244	5,704
Asset held for distribution	7	1,692
Other liabilities	(1,167)	(1,550)
	<b>817</b>	<b>(2,609)</b>
<b>INVESTING ACTIVITIES</b>		
Additions in equipment	(2)	(11)
Changes in investment in real estate	(76)	(44)
Dividend received	351	353
Net cash from investing activities	<b>273</b>	<b>298</b>
<b>FINANCING ACTIVITY</b>		
Repayment of financing liabilities	-	-
Net cash used in financing activity	<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,090</b>	<b>(2,311)</b>
Effect of exchange rate changes on cash and cash equivalents	(12)	(8)
Cash and cash equivalents at the beginning of the year	6,979	9,298
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>8,057</b>	<b>6,979</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with banks	<b>8,057</b>	<b>6,979</b>

**Non-cash transactions:**

The following transaction entered, which was excluded from the statement of cash flows being non-cash transaction:

- During the year 2021, the liquidation of the Strategic Acquisition Fund with resulted in-kind distribution of shares in investment in an associate amounting to USD20,828.

## 1 CORPORATE INFORMATION AND ACTIVITIES

### a) Incorporation

AlKhair Holding B.S.C.(c) ("the Company") (formerly known as Bank Alkhair B.S.C. (c)) and its subsidiary (collectively referred as "the Group") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration No. 53462 on 29 April 2004. The Bank's registered office is at the 15th floor, West Tower Bahrain Financial Harbour, Building No. 1459, Road No. 4626, Manama Sea Front 346, Kingdom of Bahrain.

### b) Activities

The Company and its subsidiaries (together referred to as "the Group") have completed the process of restructuring and converted the Bank into a holding company as approved by its shareholders. Further, during the year, the liquidation of the Strategic Acquisition Fund has been completed with the Company receiving an in-kind distribution of shares in an unquoted equity security, increasing its shareholding within the Kingdom of Bahrain.

These consolidated financial statements, set out on pages 7 to 42, were approved and authorised for issue by the Board of Directors on 24 July 2023.

## 2 BASIS OF PREPARATION

### Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'). For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

### Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain investments, investments in associates and investment in real estate which are carried at fair value. The consolidated financial statements are presented in United States Dollars (US\$), being the functional currency of the Group's operations. All financial information presented in US\$ has been rounded to the nearest thousands, except when otherwise indicated.

### Going concern

As at 31 December 2022, the management has taken a number of initiatives including discussions with creditors who have shown willingness in the past to roll over short term placements, putting together a robust assets sales plan and particularly the ongoing support from major shareholders who have also in the past provided support when it was needed. The Board of Directors has reviewed these initiatives and is satisfied with the appropriateness of the going concern assumption for preparation of the consolidated financial statements.

Moreover, the accumulated deficit of the Group exceeded 50% of its paid-up capital as at the reporting date. The Bahrain Commercial Companies Law requires that, where the accumulated losses of the Group exceed its share capital by more than 50%, the shareholders should resolve to continue with the operations of the Group.

**2 BASIS OF PREPARATION (continued)****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.

Subsidiaries are fully consolidated from the date; control is transferred to the Company and continue 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 subsidiaries' 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 subsidiaries' 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.

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 subsidiaries that do not result in a loss of control are accounted for as equity transaction.

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

<i>Subsidiary</i>	<i>Ownership 2022</i>	<i>Ownership 2021</i>	<i>Year of Incorporation/ Acquisition</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>
Al-Tajamout for Touristic Projects Co Pte	50.6%	50.6%	2013	Jordan	It was incorporated in January 2004 and its activities are real estate property investment, development, ownership and operation of a shopping mall in Amman.
Alkhair Gayrimenkul Yatirim Ve Ticaret A.S (formerly Alkhair Portfoy Yonetimi A.S.)	99.6%	99.6%	2007	Turkey	The entity was established to provide investment consultancy and asset management. Due to restructuring at group level, financial services license of the entity was surrendered and converted to a real estate and trading company. The Company is in the process of initiating voluntary liquidation proceedings for the same

**2 BASIS OF PREPARATION (continued)**

<i>Subsidiary</i>	<i>Ownership 2022</i>	<i>Ownership 2021</i>	<i>Year of Incorporation/ Acquisition</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>
AKIIM Sdn Bhd (formerly Alkhair International Islamic Bank Malaysia Berhad)	100%	100%	2004	Malaysia	<p>It was established in 2004 to source investment opportunities in the Far East and monitor the performance of the acquired companies on behalf of the Company and investors and to establish distribution channels for the Group. In 2007, Alkhair International Islamic Company Malaysia Berhad was granted an investment Companying license by Company Negara Malaysia to carry out investment Companying activity in currencies other than the Malaysian Ringgit.</p> <p>Due to restructuring at group level, in 2019, Companying license was surrendered to the regulator (Company Negara Malaysia) and the entity was converted into Sdn Bhd. The entity has been put on voluntary liquidation and the control has been transferred to liquidator, therefore, the entity has been deconsolidated and classified as held-for-distribution in the financial statements.</p>

The Company has other special purpose entities (SPE's) holding companies and subsidiaries which are set up to supplement the activities of the Company and its principal subsidiaries.

**Business combination**

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated statement of income immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated statement of income. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in consolidated statement of income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.



### 3 SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash in hand, balances with banks and placements with financial institutions with an original maturity of three months or less.

#### b) Placements with financial institutions

These comprise inter-bank placements mainly made using Sharia compliant contracts. Placements are usually for short-term and are stated at their amortised cost.

#### c) Financing receivables

Financing receivables comprise Sharia compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha contracts. Financing assets are recognised on the date they are originated and are carried at their amortised cost.

#### d) Investments

Investments comprise equity-type instruments at fair value through statement of income and debt-type instruments at amortised cost.

##### *Equity-type instruments at fair value through statement of income*

These include equity-type investments held for trading purposes and those investments that are designated under this category on initial recognition. Subsequent to acquisition, Investments designated at fair value through consolidated statement of income are re-measured at fair value with unrealised gains or losses recognised in consolidated statement of income.

##### *Debt-type instruments at amortised cost*

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

#### e) Investment in associates

Associates are those entities in which the Group has significant influence but no control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

On initial recognition of an associate the Group makes an accounting policy choice as to whether the associate shall be equity accounted or designated as at fair value through income statement. The Group makes use of the exemption in FAS 24 - Investment in Associates for venture capital organisation and designates certain of its investment in associates, as 'equity-type instruments at fair value through statement of income'. These investments are managed, evaluated and reported internally on a fair value basis.

If the equity accounting method is chosen for an associate, these are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Investment in associates (continued)**

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate at the date of acquisition is recognised as goodwill, and included within the carrying amount of the investment. When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to the consolidated statement of income where appropriate.

**f) 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, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

**g) Equipment**

Equipment includes computers, office equipment, fixtures and fittings. Equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method to write-off the cost of the assets over their estimated useful lives ranging from 1 to 8 years. The assets residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

**h) Due to financial institutions**

These comprise funds from financial institutions received on Sharia compliant contracts. Due to financial institutions are stated at their amortised cost.

**i) Due to customers**

These comprise funds payable to corporate customers received using Sharia compliant contracts. Due to customers are stated at their amortised cost.

**j) Revenue recognition**

Revenue is recognised when it is probable that future economic benefits will flow to the Group and the amount of the revenue can be reliably measured. Revenue earned by the Group and gain / loss on assets are recognised on the following basis:

*Dividend income*

Dividend income is recognised when the Group's right to receive the payment is established.

*Gain / (loss) on sale of investments (realised gain / (loss))*

Gain / (loss) on sale of investments (realised gain / (loss)) is recognised on trade date at the time of derecognition of the investment securities. The gain or loss is the difference between the carrying value on the trade date and the consideration received or receivable.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Revenue recognition (continued)**

*Fair value gain / (loss) on investments (unrealised gain or loss)*

Fair value gain / (loss) on investments (unrealised gain or loss) is recognised on each measurement date in accordance with the accounting policy for equity-type instruments carried at fair value through income statement (refer note 3 d).

*Fees and Commission income*

Fees and Commission income represents advisory fees, arrangement fees, management fees and brokerage fees. Fees and Commission income is recognised at the fair value of consideration received or receivable and when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms for each transaction.

*Finance income and expense*

Finance income and expense is recognised using effective profit rate.

*Income from non-banking operations*

This consists of income from Al-Tajamout for Touristic Projects Company PLC (lease income).

*Lease income*

Lease income is recognised on straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

*Revenue from a contract to provide services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract, when the outcome of the transaction and related revenue and cost can be measured reliably, and that economic benefit flows to the Group.

**k) 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.

**l) Earnings prohibited by Sharia**

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 and these funds are used for charitable purposes.

**m) Zakah**

The Group is not obliged to pay Zakah on behalf of its shareholders. However, the Group is required to calculate and notify individual shareholders of their pro-rata share of the Zakah payable amount.

**n) Provision for taxation**

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate.

**o) Impairment of financial assets**

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**o) Impairment of financial assets (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss on debt-type instruments is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

**p) Foreign currency transactions**

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US\$ (United States Dollar) which is functional and presentation currency of the Bank.

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Translation differences on non-monetary items carried at their fair value, such as certain equity securities measured at fair value through equity, are included in investments fair value reserve.

*Other group companies*

As at the reporting date, the assets and liabilities of subsidiaries, associates and joint venture are translated into the Company's functional currency at the rate of exchange prevailing at the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate reserve in owners' equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

**q) Offsetting of financial instruments**

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

**r) Statutory reserve**

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

**s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

**t) Contingent liabilities and contingent assets**

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is probable. Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

**u) Financial guarantees**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and commitments. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**v) Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

**w) Leases**

Payments under operating lease are recognised in the consolidated statement of income on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

**x) Trade date accounting**

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

**y) Judgements and estimates**

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

*Classification of investments*

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

*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.

*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. Investments in funds or similar investment entities are carried at the latest net asset valuation provided by the fund administrator.

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 financing receivables*

Each counterparty exposure is evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying assets/ collaterals. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently evaluated by the Risk Management Department. All individually significant financing receivables are tested for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****z) Judgements and estimates (continued)***Impairment of financing receivables (continued)*

Financing receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financing receivables measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective profit rate. Losses are recognised in consolidated of income and reflected in an allowance account against financing receivable.

Profit on the impaired asset does not continue to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through consolidated statement of income.

*Valuation of investment in real estate*

The Group obtains valuations performed by external independent property valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The independent property valuers also refer to market evidence of transaction prices for similar properties.

*Going concern*

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group 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 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES****Standards, amendments and interpretations issued and effective in 2022 but not relevant**

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting year beginning on or after 1 January 2022 or subsequent years, but is not relevant to the Group's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 37	Financial reporting by Waqf institutions	1-Jan-22
FAS 38	Wa'ad, khiyar and tahawwut	1-Jan-22

**Standards, amendments and interpretations issued but not yet effective in 2022**

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2022. They have not been adopted in preparing the financial statements for the year ended 31 December 2022 and will or may have an effect on the entity's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 1	General presentation and disclosures in the financial statements	1-Jan-23
FAS 39	Financial Reporting for Zakah	1-Jan-23
FAS 40	Financial Reporting for Islamic Finance Windows	1-Jan-24
FAS 42	Presentation and disclosures in the financial statements of Takaful institutions	1-Jan-25
FAS 43	Accounting for Takaful: Recognition and measurement	1-Jan-25

**Early adoption of amendments or standards in 2022**

The Group did not early-adopt any new or amended standards in 2022. There would have been no change in the operational results of the Group for the year ended 31 December 2022 had the Group early adopted any of the above standards applicable to the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5 CASH AND BALANCES WITH BANKS

	2022 US\$ '000	2021 US\$ '000
Cash in hand	-	1
Balances with banks	8,057	6,978
	<u>8,057</u>	<u>6,979</u>

## 6 FINANCING RECEIVABLES

	2022 US\$ '000	2021 US\$ '000
Murabaha receivables	-	782
Less: Reversal of impairment allowance	-	(782)
Add: Provision of impairment allowance provided during the year	-	-
	<u>-</u>	<u>-</u>

Financing receivables comprise due from customers under murabaha financing contract and were fully provided for in the prior year. However, during the year, the impairment allowance has been reversed due to the receipt of funds.

## 7 INVESTMENTS

	2022 US\$ '000	2021 US\$ '000
<b>Equity-type instruments:</b>		
At fair value through statement of income		
Equity securities		
- Quoted	2,153	-
- Unquoted	49,460	43,716
	<u>51,613</u>	<u>43,716</u>

Movement in equity type investments carried at fair value through income statement is as follows:

	1 January 2022 US\$ '000	Additions during the year US\$ '000	Disposal during the year US\$ '000	Gain/(loss) Fair value/ exchange difference US\$ '000	31 December 2022 US\$ '000
Unquoted equity securities	43,716	4,336	-	1,408	49,460
Quoted equity securities	-	2,841	-	(688)	2,153
	<u>43,716</u>	<u>7,177</u>	<u>-</u>	<u>720</u>	<u>51,613</u>

  

	1 January 2021 US\$ '000	Additions during the year US\$ '000	Disposal during the year US\$ '000	Gain/(loss) Fair value/ exchange difference US\$ '000	31 December 2021 US\$ '000
Unquoted equity securities	42,768	-	-	948	43,716
Unquoted mutual funds	20,828	-	(20,828)	-	-
	<u>63,596</u>	<u>-</u>	<u>(20,828)</u>	<u>948</u>	<u>43,716</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 8 INVESTMENT IN ASSOCIATES

	2022 US\$ '000	2021 US\$ '000
BFC Group Holdings Ltd. (note 8.1)	140,773	131,018
T'azur Company B.S.C. (c) (note 8.2)	-	7,177
Independent Logistics and Warehousing Company (note 8.3)	5,650	5,575
	<b>146,423</b>	<b>143,770</b>

## Note 8.1

The Group has a 50.25% stake (2021: 50.25%) in BFC Group Holdings Ltd. ("BFC"), a company incorporated in the United Arab Emirates. During the year 2021, Strategic Acquisition Fund ("SAF") has been liquidated, via, an in-kind settlement with SAF units being distributed in exchange of shares in BFC, resulting in additional 6.71% stake in BFC. BFC is a holding company of a group of money changers in different jurisdictions. BFC is engaged in buying and selling of foreign currencies and traveler cheques, handling of remittance business and provision of other exchange house services in both local and foreign currencies. Even though, the Company has a majority shareholding in BFC, the minority shareholders control the financial and operating policy decisions of BFC, hence control is being retained by them. The Company possesses significant influence in BFC, hence has been considered as an associate. The Group has fair valued the investment in associate during the year and concluded that the fair value is not significantly different from the carrying value, hence no impairment loss has been recorded (2021 : USD Nil). The Company holds additional 2.06% shareholding in the BFC and is held by the Group on behalf of nominee shareholders.

## Note 8.2

The Group has 25.86% (2021: 25.86%) stake in T'azur B.S.C. (c) an unlisted regional takaful company incorporated in the Kingdom of Bahrain. The Board of Directors of T'azur Company B.S.C. (c) have accepted the offer and recommendation of a merger between Solidarity B.S.C. and T'azur Company B.S.C. (c) based on the approval provided by the shareholders in the Extra Ordinary Meeting held on 29 September 2021. The merger includes the run-off business in Qatar branch but excluding its investment in its Kuwait subsidiary. With effect from 1 February 2022, based on approval received from Central Bank of Bahrain, the formalities of the merger have been completed. On completion of merger, the Company has derecognised the investment due to loss of significant influence.

## Note 8.3

The Group acquired 33.33% stake in Independent Logistics and Warehousing Company, a company incorporated in the Hashmiet Kingdom of Jordan. The company owns and operates warehouses in Amman, Jordan. The Group has fair valued the investment in associate during the year and concluded that the fair value is not significantly different from the carrying value, hence no impairment loss has been recorded (2021 : USD Nil).

The movement in associates is as follows:

	2022 US\$ '000	2021 US\$ '000
1 January	143,770	126,978
Share of reserves of associates	(735)	320
Net share of profit / (loss) from associates	10,916	(3,395)
Addition during the year	-	20,828
Derecognition (Note 7)	(7,177)	-
Dividend received	(351)	(353)
Impairment charge	-	(608)
<b>31 December</b>	<b>146,423</b>	<b>143,770</b>

Summarised financial information of associates that have been equity accounted not adjusted for the percentage ownership held by the Group (based on most recent audited financial statements):

	2022 US\$ '000	2021 US\$ '000
Assets	350,379	497,104
Liabilities	76,755	226,805
Revenue	72,314	96,756
Profit/ (loss) for the year	22,156	(16,884)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 9 INVESTMENT IN REAL ESTATE

	1 January 2022 US\$ '000	Amount capitalised US\$ '000	Amount Derecognised US\$ '000	Fair value changes US\$ '000	31 December 2022 US\$ '000
Land and building - Jordan	177,103	76	-	-	177,179
	177,103	76	-	-	177,179
	1 January 2021 US\$ '000	Amount capitalised US\$ '000	Amount Derecognised US\$ '000	Fair value changes US\$ '000	31 December 2021 US\$ '000
Land and building - Jordan	177,059	44	-	-	177,103
	177,059	44	-	-	177,103

## 10 OTHER ASSETS

	2022 US\$ '000	2021 US\$ '000
Rental income receivable	7,601	9,683
Accounts receivable	2,180	1,876
Prepayments and advances	27	104
Fees and expenses receivable	23	23
Right-of-Use Asset (note 10.1)	36	91
Others	3	7
	9,870	11,784
Less: Provision for impairment	(1,898)	(1,898)
	7,970	9,886

## Note 10.1 RIGHT-OF-USE ASSET

	2022 US\$ '000	2021 US\$ '000
Recognition of right-of-use assets on initial application of FAS 32	91	146
Amortisation charge for the period	(55)	(55)
	36	91

## 11 DUE TO FINANCIAL INSTITUTIONS AND CUSTOMERS

	2022 US\$ '000	2021 US\$ '000
Due to customers	259,868	241,378
Bank financing	20,676	28,921
	280,544	270,300

Due to customers included deposits on wakala basis with maturities ranging from 2 to 6 months from a corporate customers carried an average profit rate of 7% per annum. Profit rate for Murabaha loan is 7% per annum and is secured against the Bank's assets.

Bank financing represents a syndicated loan through the Housing Bank for Trade and Finance in Jordan secured by mortgage over the Group's investment property. The profit rate of the syndicated loan equals the prime lending rate of the Jordanian Dinar less an annual margin of 1.97%. "On 19 September 2019, the Group signed an amendment and waiver agreement, based on the agreement, the last payment of the loan has been rescheduled till November 2029 and the interest calculation was not changed. The quarterly installments amounted to USD 824,504 (2021: USD 824,504 Annually), in addition to the interest are settled in February, May, August and November of the year 2023 and 2024, totaling USD 5,771,530. Due to the COVID-19 outbreak, management requested deferring the quarterly payments due in May, August and November 2020 amounting to USD 2,473,513 to be included as a part of the last payment due on 3 November 2029. The interest deferred during this period amounting to USD 1,161,339 was added to the loan's balance and will be paid as a part of the loan's final payment. The Housing Bank for Trade and Finance approved management's request on 6 April 2020."

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 12 OTHER LIABILITIES

	2022 US\$ '000	2021 US\$ '000
Advance rental income	6,177	6,702
Trade and other payables	1,913	2,549
Accruals and other provisions	376	358
Net ijarah liability (note 12.1)	53	103
Staff-related payables	460	435
	<u>8,980</u>	<u>10,147</u>

## Note 12.1 NET IJARAH LIABILITY

	31-Dec 2022 US\$ '000	31-Dec 2021 US\$ '000
Maturity analysis — Gross ijarah liability		
Less than one year	40	60
More than one year	-	40
<b>Total gross ijarah liability</b>	<u>40</u>	<u>100</u>
Maturity analysis — Net ijarah liability		
Less than one year	39	55
More than one year	-	39
<b>Total net ijarah liability</b>	<u>39</u>	<u>94</u>

## 13 SHARE CAPITAL

	2022 US\$ '000	2021 US\$ '000
Authorised:		
750,000,000 (2021: 750,000,000) ordinary shares of US\$1 each	<u>750,000</u>	<u>750,000</u>
Issued and fully paid up:		
186,170,234 (2021: 186,170,234) ordinary shares of US\$1 each, issued against cash	186,170	186,170
20,371,807 (2021: 20,371,807) ordinary shares of US\$1 each, issued in kind	20,372	20,372
1,419,873 (2021: 1,419,873) ordinary shares of US\$1 each, granted to employees	1,420	1,420
	<u>207,962</u>	<u>207,962</u>

## 14 INCOME FROM NON-BANKING OPERATIONS - NET

	2022 US\$ '000	2021 US\$ '000
Income from Al-Tajamouat for Touristic Projects Co Plc	16,336	16,139
Total Income	<u>16,336</u>	<u>16,139</u>
Expenses of Al-Tajamouat for Touristic Projects Co Plc	(8,632)	(10,264)
Total Expenses	<u>(8,632)</u>	<u>(10,264)</u>
<b>Income from non-banking operations - net</b>	<u>7,704</u>	<u>5,875</u>

## 15 INCOME FROM INVESTMENTS - NET

	2022 US\$ '000	2021 US\$ '000
Income from equity type investment:		
Fair value gains on equity type investments - net	720	948
	<u>720</u>	<u>948</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**16 GENERAL AND ADMINISTRATIVE EXPENSES**

	2022 US\$ '000	2021 US\$ '000
Legal and professional expenses	293	750
Premises cost	43	33
Business development expenses	2	21
Other operating expense	256	318
	<u>594</u>	<u>1,122</u>

**17 DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-DISTRIBUTION**

Below are the details of assets held-for-distribution and discontinued operations:

During the year 2019, the Group sold its total stake of 52.1% in one of its subsidiary, Cleanswift UAE held through Tintoria International Limited.

In the year 2019, the Group's holding in its subsidiary Alkhair Capital Saudi Arabia ("ACSA") was diluted from 53.33% to 16% due to new capital issue at ACSA.

During the year 2019, the Banking license for Alkhair International Islamic Bank was surrendered and the company was renamed to AKIIM Sdn Bhd. The company was put under voluntary liquidation and the control was handed over to the liquidator.

Accordingly, the Group has derecognized/deconsolidated the operations and assets and liabilities of the subsidiaries on loss of control. Profit from operations of the subsidiaries till the date of loss of control has been presented as "Discontinued Operations" in the consolidated statement of income.

Financial services license for Alkhair Portfoy Turkey was also surrendered during the prior year and the company was renamed as Alkhair Gayrimenkul Yatirim Ve Ticaret A.S. The company was put under voluntary liquidation. Accordingly, the loss from operations of the subsidiary had been presented as "Discontinued Operation" in the consolidated statement of income and assets and liabilities had been presented as held-for-distribution in the consolidated statement of financial position.

The disposal/derecognitions have the following impact on the consolidated financial statements:

	2022 US\$ '000	2021 US\$ '000
<b>Income:</b>		
AKIIM Sdn Bhd	-	650
	<u>-</u>	<u>650</u>
<b>Expenses:</b>		
AKIIM Sdn Bhd	(32)	(63)
	<u>(32)</u>	<u>(63)</u>
<b>(Loss) / income from discontinued operations</b>	<u>(32)</u>	<u>587</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**17 DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-DISTRIBUTION (continued)**

Below are the details of assets and liabilities held-for-distributions as of 31 December 2022

	Assets US\$ '000	Liabilities US\$ '000
AKIIM Sdn Bhd	162	-
Alkhair Gayrimenkul Yatirim Turkey	17	-
	<u>179</u>	<u>-</u>

Below are the details of assets and liabilities held-for-distributions as of 31 December 2021

	Assets US\$ '000	Liabilities US\$ '000
AKIIM Sdn Bhd	162	-
Alkhair Gayrimenkul Yatirim Turkey	24	-
	<u>186</u>	<u>-</u>

**18 COMMITMENTS AND CONTINGENCIES**

	2022 US\$ '000	2021 US\$ '000
Lease commitments	40	99
	<u>40</u>	<u>99</u>

**Litigations and claims**

The Group has filed a number of legal cases against the former Chief Executive Officer before the Civil and Criminal Courts of the Kingdom of Bahrain. The Bahraini Courts have ruled in favour of the Group in a number of the civil and criminal cases. Currently these rulings are being enforced in Kuwait, where the former Chief Executive Officer resides.

**19 FAIR VALUE**

The fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

**Valuation techniques**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

**Investments**

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active or the instrument is not quoted, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

**Financing receivables**

The fair values of financing receivables are principally estimated at their carrying amount less impairment provisions as these are for short term (i.e. less than 12 months). Hence, the present value of expected future cash flows is not expected to be different from their carrying values.

**Other financial instruments**

Placements with financial institutions, due to financial institutions and due to customers are for short term tenure hence their carrying value is not different from the fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.

**19 FAIR VALUE (continued)**

**Fair value hierarchy**

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<b>31 December 2022</b>	<b>Level 1 US\$ '000</b>	<b>Level 2 US\$ '000</b>	<b>Level 3 US\$ '000</b>	<b>Total US\$ '000</b>
Investments carried at fair value through statement of income	2,153	-	49,460	51,613
<b>31 December 2021</b>	<b>Level 1 US\$ '000</b>	<b>Level 2 US\$ '000</b>	<b>Level 3 US\$ '000</b>	<b>Total US\$ '000</b>
Investments carried at fair value through statement of income	-	-	43,716	43,716

**Movements in level 3 financial instruments**

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

	<b>1 January 2022 US\$ '000</b>	<b>Additions / Deletion US\$ '000</b>	<b>Fair value loss US\$ '000</b>	<b>31 December 2022 US\$ '000</b>
Investments carried at fair value through statement of income	43,716	4,336	1,408	49,460
	<b>1 January 2021 US\$ '000</b>	<b>Additions / Deletion US\$ '000</b>	<b>Fair value loss US\$ '000</b>	<b>31 December 2021 US\$ '000</b>
Investments carried at fair value through statement of income	42,768	-	948	43,716

**Transfers between level 1, level 2 and level 3**

There were no transfers between the levels during the year ended 31 December 2022 and 2021.

The following table shows the impact on fair value of level 3 financial instruments using reasonably possible alternative assumptions.

For investments the Group adjusted the carrying values  $\pm 5\%$  where appropriate, which is considered by the Bank to be within a range of reasonably possible alternatives.

	<b>Rate</b>	<b>Carrying amount US\$ '000</b>	<b>Effects of reasonably possible alternative assumptions on carrying amount US\$ '000</b>
<b>31 December 2022</b>			
Investments carried at fair value through statement of income	5%	49,460	2,473
<b>31 December 2021</b>			
Investments carried at fair value through statement of income	5%	43,716	2,186

**20 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include significant shareholders and entities over which the Bank and shareholders exercise significant influence, directors, executive management and external auditors of the Group.

**Compensation of key management personnel**

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation during the year is as follows:

	<b>2022</b>	<b>2021</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Short term employee benefits	<b>374</b>	<b>496</b>
Post-employment benefits	<b>8</b>	<b>62</b>
	<b>382</b>	<b>558</b>

AlKhair Holding B.S.C.(c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20 RELATED PARTY TRANSACTIONS (continued)

Significant related party transactions and balances included in this consolidated financial statements are as follows-

	31 December 2022				31 December 2021			
	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Assets under management and other entities US\$ '000	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Assets under management and other entities US\$ '000
<b>Assets</b>								
Investments	-	51,813	-	-	-	43,716	-	-
Investment in associates	146,423	-	-	-	143,770	-	-	-
Other assets	-	-	-	23	-	-	-	38
<b>Liabilities</b>								
Due to financial institutions	-	20,676	-	-	-	28,321	-	-
Due to customers	-	259,868	-	-	-	241,378	-	-
Other liabilities	-	-	-	-	-	-	135	-
<hr/>								
	31 December 2022				31 December 2021			
	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Assets under management and other entities US\$ '000	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Assets under management and other entities US\$ '000
Income from investments - net	720	-	-	-	948	-	-	-
Net finance cost	-	(17,620)	-	-	-	(18,428)	-	-
Share of profit / (loss) from associates - net	10,916	-	-	-	(3,395)	-	-	-
Directors' remuneration and expenses	-	-	(32)	-	-	-	(54)	-

**21 RISK MANAGEMENT**

Risk is an inherent part of the Group's business activities. The Group's risk management and governance framework is intended to provide progressive controls and continuous management of the major risks involved in the Group's activities. Risks are managed by a process of identification, measurement and monitoring, and are subject to risk limits and other controls. The process of risk management is critical to the Group's operations and each business unit within the Group is accountable for the risk exposures relating to their responsibilities. The Group's main risk exposure categories are Credit risk, Market risk, Liquidity risk and Operational.

- Risk identification: The Group's exposure to risk through its business activities, including investment in Private Equity, Brokerage, and Capital Markets, is identified through the Group's risk management infrastructure, which includes prior review of all new activities by Risk management.
- Risk measurement: The Group measures risk using risk management position methodologies which reflect the Group's investment risks, foreign exchange and profit rate exposure risks. The Company relies on both quantitative and qualitative approaches in quantifying risks.
- Risk monitoring: The Group's risk management policies and procedures incorporate respective limits and the Group's activities. The Company conducts periodic reporting for ongoing monitoring of its position at both Management and Board level.
- Risk reporting: The Group undertakes reporting of all core risks relevant to its businesses on a consolidated basis. The Board oversees risk management and transaction approval for the Group.

**Group Risk Framework and Governance**

The Board of Directors is ultimately accountable for the risk management of the Group. The Board has advocated a wholly integrated risk management process within the Group, in which all business activities are aligned to the risk framework. The Group Risk Framework establishes Group risk management standards, risk processes, structures, and defines the Company's risk philosophy.

**Board of Directors**

The Board of Directors is responsible for defining the Group's risk appetite within which it manages its risk exposures and reviews the Group's compliance with delegated risk authorities.

**Audit Committee**

The Audit Committee is appointed by the Board of Directors and consists of four non-executive Board members. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and oversight of the Internal Audit function.

**Risk Management**

The Board along with the Audit Committee is responsible for designing and implementing the Group's risk framework, including policies, processes and systems. Risk Management is responsible for ensuring that the Group's processes capture all sources of transaction risk and that appropriate limit methodologies are developed for use in the management of business risk.

**Investment Monitoring and Reporting**

Proprietary investment risks are identified and assessed via extensive due diligence activities conducted by the respective departments. This is supported by Risk Management which undertakes an independent risk assessment of every investment transaction. Post-acquisition investment management is rigorously exercised, mainly via board representation within the investee company, during the life of the investment transaction.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**22 CREDIT RISK**

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

The information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Company's management of capital is explained in notes below.

**Credit Risk Policy Framework**

The Company has a Group Credit Risk Policy framework establishing Group credit risk appetite, credit risk origination, underwriting and administration standards. The credit policy articulates key credit markets, minimum criteria for the granting of credit, minimum requirements on collateral and defines roles and responsibilities for credit risk management. The policy provides a guideline to business units when originating credit business.

**Credit Risk Management**

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations and arises principally from the Group's balances with banks, placements with financial institutions, financing receivables, investments and other receivables.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. There is no significant use of master netting and collateral agreements.

	<b>2022</b>	<b>2021</b>
	<b>Maximum</b>	<b>Maximum</b>
	<b>exposure</b>	<b>exposure</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>On balance sheet:</b>		
Balances with banks	8,057	6,978
Other assets	7,970	9,886
	<b>16,189</b>	<b>18,698</b>

**Risk Exposure Concentration**

Risk concentration arises when a number of counterparties are engaged in similar business 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. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. In line with regulatory requirements, the Company has a group level Large Exposure Policy which details the Company's approach in managing concentration risk to sectors, asset classes, single obligors and countries including defining specific limits.

Concentration of risks is managed by counterparty, by geographical region and by industry sector. The maximum credit exposure to any client, or counterparty, or group of closely related counterparties as of 31 December 2022 was US\$ 0.153 million relating to "balances with banks" (2021: US\$ 0.232 million relating to "balances with banks").

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**22 CREDIT RISK (continued)****Geographical Exposure Distribution**

The analysis by geographical region of the Group's financial assets having credit risk exposure is as follows:

Type of Assets/Region	31 December 2022					Grand Total US\$ '000
	Bahrain US\$ '000	Other Middle East US\$ '000	North America US\$ '000	Asia US\$ '000	Europe US\$ '000	
Balances with banks	153	7,904	-	-	-	8,057
Other assets	338	7,632	-	-	-	7,970
<b>Grand Total</b>	<b>491</b>	<b>15,536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,027</b>

  

Type of Assets/Region	31 December 2021					Grand Total US\$ '000
	Bahrain US\$ '000	Other Middle East US\$ '000	North America US\$ '000	Asia US\$ '000	Europe US\$ '000	
Balances with banks	231	6,747	-	-	-	6,978
Other assets	250	9,636	-	-	-	9,886
<b>Grand Total</b>	<b>481</b>	<b>16,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,864</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**22 CREDIT RISK (continued)****Industry Sector Exposure**

The distribution of assets and off-statement of financial position items by industry sector is as follows:

31 December 2022							
Type of Assets Industry	Banking and Finance US\$ '000	Industrial US\$ '000	Real Estate and Const- ruction US\$ '000	Technology US\$ '000	Funds US\$ '000	Trade US\$ '000	Total US\$ '000
Funded:							
Balances							
with banks	153	-	7,904	-	-	-	8,057
Other Assets	338	-	7,632	-	-	-	7,970
	491	-	15,536	-	-	-	16,027
31 December 2021							
Type of Assets Industry	Banking and Finance US\$ '000	Industrial US\$ '000	Real Estate and Const- ruction US\$ '000	Technology US\$ '000	Funds US\$ '000	Trade US\$ '000	Total US\$ '000
Funded:							
Balances with banks	231	-	6,747	-	-	-	6,978
Other Assets	250	-	9,636	-	-	-	9,886
	481	-	16,383	-	-	-	16,864

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**22 CREDIT RISK (continued)****Collateral and other credit enhancements**

The Group utilizes collateral and other credit enhancements mostly on its credit facilities, in line with Shari'a requirements. Before taking any form of collateral the Company pre-assesses impediments that may restrict accessibility to collateral should the need arise as well as acceptability from a Shari'a perspective. In this respect the Company will formally agree with the customer at the time of signing the offer letter on the usage, redemption and utilization of collateral when the customer/counterparty defaults. In the past year, the Company has obtained collateral including shareholders' personal guarantees, cash, real estate, unlisted equity shares and debentures. The Company's credit policy discourages taking collateral value where there is positive correlation between collateral value and obligor's ability to pay.

**Credit quality per class of financial assets**

The Group did not apply a standard credit rating to its investment business, as the Group assessed credit quality according to the policies of the respective business areas. Management considers the credit quality of the Group's financial assets to be of standard quality as of 31 December 2021. Following is an analysis of credit quality by class of financial assets:

	2022				
	<i>Neither past due nor impaired US\$ '000</i>	<i>Past due but not impaired US\$ '000</i>	<i>Individually impaired US\$ '000</i>	<i>Impairment/ provision US\$ '000</i>	<i>Total US\$ '000</i>
Balances with banks	8,057	-	-	-	8,057
Other assets	7,970	-	(9,870)	9,870	7,970
<b>Total</b>	<b>16,027</b>	<b>-</b>	<b>(9,870)</b>	<b>9,870</b>	<b>16,027</b>
	2021				
	<i>Neither past due nor impaired US\$ '000</i>	<i>Past due but not impaired US\$ '000</i>	<i>Individually impaired US\$ '000</i>	<i>Impairment/ provision US\$ '000</i>	<i>Total US\$ '000</i>
Balances with banks	6,978	-	-	-	6,978
Other assets	9,886	-	(11,784)	11,784	9,886
<b>Total</b>	<b>16,864</b>	<b>-</b>	<b>(11,784)</b>	<b>11,784</b>	<b>16,864</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**22 CREDIT RISK (continued)****Collateral and other credit enhancements (continued)**

The following table summarises the counterparty credit risk exposure covered by collateral as of:

	31 December 2022		31 December 2021	
	Gross positive FV of contracts	*Collateral held	Gross positive FV of contracts	*Collateral held
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balances with banks	8,057	-	6,978	-
Other assets	7,970	-	9,886	-
<b>Total</b>	<b>16,027</b>	<b>-</b>	<b>16,864</b>	<b>-</b>

\* Collaterals values have been restricted to outstanding exposure of financing facilities.

**23 LIQUIDITY RISK MANAGEMENT**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The key features of the Group's liquidity methodology are:

The Board is responsible for liquidity monitoring, cash flow planning and general asset liability management.

In accordance with the Basel recommendations on liquidity management, the Group measures liquidity according to two criteria: "normal business", reflecting day-to-day expectations regarding the funding of the Group; and "crisis scenario", reflecting simulated extreme business circumstances in which the Group's survival may be threatened.

The Group's liquidity policy is to hold sufficient liquid assets to cover its committed statement of financial position requirements, plus its budgeted expenses for the liquidity horizon and its forecast investment commitments over the liquidity horizon.

**Analysis of financial liabilities**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	Gross un-discounted cash flows				Carrying value
	Less than 3 months	3 to 12 months	Over 1 year	Total	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>At 31 December 2022</b>					
Due to financial institutions and customers	-	-	280,544	280,544	280,544
Other liabilities	2,245	6,735	-	8,980	8,880
<b>Total financial liabilities</b>	<b>2,245</b>	<b>6,735</b>	<b>280,544</b>	<b>289,524</b>	<b>289,524</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**23 LIQUIDITY RISK MANAGEMENT (continued)****Analysis of financial liabilities (continued)**

	Gross un-discounted cash flows				Carrying value
	Less than 3 months	3 to 12 months	Over 1 year	Total	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2021					
Due to financial institutions	-	2,472	267,828	270,300	270,300
Other liabilities	2,537	7,610	-	10,147	10,147
Liabilities relating to assets held-for-distribution	-	-	-	-	-
Total financial liabilities	2,537	10,082	267,828	280,447	280,447

The table below shows the contractual expiry by maturity of the Group's commitments.

	On demand US\$ '000	3 to 12 months US\$ '000	Over 1 year US\$ '000
<b>At 31 December 2022</b>			
Lease commitments	-	40	-
<b>Total</b>	-	40	-
	On demand US\$ '000	3 to 12 months US\$ '000	Over 1 year US\$ '000
At 31 December 2021			
Lease commitments	-	60	39
<b>Total</b>	-	60	39

**24 MARKET RISK MANAGEMENT**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either trading or non-trading portfolios. The Group does not currently engage in significant trading activity. Non-trading positions are managed and monitored using sensitivity analysis.

**Market Risk: Non-trading***Profit rate risk*

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group currently has limited exposure to profit rate risk. The Group's assets and liabilities that are exposed to profit rate risk include: placements with financial institutions, financing receivables, investments in sukuk and due to financial and non-financial institutions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

**24 MARKET RISK MANAGEMENT (continued)***Profit rate risk (continued)*

	2022			2021		
	Balance	Change in profit rate bps (+/-)	Effect on net profit (+/-)	Balance	Change in profit rate bps (+/-)	Effect on net profit (+/-)
<b>Assets</b>						
Bank balance	7,904	200	158	6,747	200	135
<b>Liabilities</b>						
Due to financial institutions and customers	(280,544)	200	(5,811)	(270,300)	200	(5,406)
<b>Total</b>			<u>(5,453)</u>			<u>(5,271)</u>

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates.

The Company's financial assets and liabilities are mainly denominated in Bahraini Dinars and US Dollars. As the Bahraini Dinar is currently pegged to the US Dollar, balances in the US Dollar are not considered to represent a significant currency risk.

*Equity price risk*

Equity price risk is the risk that the fair value of equities decreases as the result of adverse changes in the levels of equity prices and the value of individual stocks. Equity price risk arises from the Group's investment portfolio. The Group conducts significant investment activity in private equity, mainly in unquoted entities. The Group manages this risk through diversification of its investments in terms of geographical distribution and industry concentration by arranging representation on the Board of Directors within the investee company, wherever possible. Investments are managed within maximum concentration risk limits, approved by the Board of Directors of the Company.

*Prepayment risk*

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties prepay or request repayment earlier than expected. The Group is not exposed to any significant prepayment risk.

**25 OPERATIONAL RISK**

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2022						
	Up to 1 month US\$ '000	1 to 3 months US\$ '000	3 to 6 months US\$ '000	6 to 12 months US\$ '000	Total up to 1 year US\$ '000	1 to 5 years US\$ '000	5 to 10 years US\$ '000
<b>ASSETS</b>							
Cash and balances with banks	-	8,057	-	-	8,057	-	-
Investments	-	-	-	-	-	51,613	-
Investment in associates	-	-	-	-	-	-	146,423
Investment in real estate	-	-	-	-	-	-	177,179
Other assets	-	-	-	7,970	7,970	-	-
Assets held-for-distribution	-	-	-	179	179	-	-
Equipment	-	-	-	-	-	-	18
<b>Total assets</b>	-	8,057	-	8,149	16,206	51,613	323,620
<b>LIABILITIES</b>							
Due to financial institutions and customers	-	-	-	-	-	269,762	10,782
Other liabilities	-	4,490	4,490	-	8,980	-	-
<b>Total liabilities</b>	-	4,490	4,490	-	8,980	269,762	10,782
<b>Commitments</b>	5	15	15	6	40	-	-
<b>Net liquidity gap</b>	(5)	3,552	(4,505)	8,144	7,186	(218,149)	312,838
<b>Net cumulative gap</b>	(5)	3,547	(958)	7,186	7,186	(210,963)	101,875

\* There are no items beyond the maturity of 10 years.

	2021						
	Up to 1 month US\$ '000	1 to 3 months US\$ '000	3 to 6 months US\$ '000	6 to 12 months US\$ '000	Total up to 1 year US\$ '000	1 to 5 years US\$ '000	5 to 10 years US\$ '000
<b>ASSETS</b>							
Cash and balances with banks	1	6,978	-	-	6,979	-	-
Investments	-	-	-	-	-	43,716	-
Investment in associates	-	-	-	-	-	-	143,770
Investment in real estate	-	-	-	-	-	-	177,103
Other assets	-	-	-	9,886	9,886	-	-
Assets held-for-distribution	-	-	-	186	186	-	-
Equipment	-	-	-	-	-	-	31
<b>Total assets</b>	1	6,978	-	10,072	17,051	43,716	320,904
<b>LIABILITIES</b>							
Due to financial institutions and customers	-	616	616	1,236	2,472	250,450	17,378
Other liabilities	-	5,074	5,073	-	10,147	-	-
<b>Total liabilities</b>	-	5,692	5,691	1,236	12,619	250,450	17,378
<b>Commitments</b>	5	15	15	30	65	34	-
<b>Net liquidity gap</b>	(4)	1,271	(5,708)	8,806	4,367	(206,768)	303,526
<b>Net cumulative gap</b>	(4)	1,287	(4,439)	4,367	4,367	(202,401)	101,125

\* There are no items beyond the maturity of 10 years.



**27 SEGMENT INFORMATION**

Operating segments are reported in accordance with internal reporting provided to Executive Management (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under FAS 22.

Currently, the Group is organised into business units based on their nature of operations and services and has three reportable operating segments which are as follows:

**Investment Banking**

The Group's investment banking business is engaged in transaction origination and structuring, investment, placement to third-party investors, restructuring and managing portfolio companies. This segment focuses on stable companies, historically revenue-generating with positive profitability, requiring growth capital or partial exits. The segment focuses on specific sectors and geographies, whilst avoiding start-ups, venture capital, and greenfield investments. The segment targets businesses in the oil & gas services; industrial services; building materials; logistics; and agri-business; specifically in the MENA region including Turkey.

The business manages Al-Tajamouat for Touristic Projects Co. "Taj" which own and operate a shopping mall in Amman. At 31 December 2021, the total assets of Taj are US\$ 189 million and the total equity is US\$ 148 million. In 2021, Taj reported a net profit of US\$ 1.3 million.

The business managed the Company's Global Private Equity Fund. It also sources and managed investments on behalf of the Bank's Strategic Acquisition Fund. The Strategic Acquisition fund has liquidated.

**AKIIM Sdn Bhd - UPDATE**  
**(formerly Alkhair International Islamic Bank Malaysia Berhad)**

Alkhair International Islamic Bank Malaysia Berhad was established in 2004 to source investment opportunities in the Far East and monitor the performance of the acquired companies on behalf of the Bank and investors and to establish distribution channels for the Group. Banking license was surrendered during the previous period and entity was put on voluntary liquidation.

Information regarding the results of each reportable segment is included below. Inter-segment pricing is determined on an arm's length basis. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27 SEGMENT INFORMATION (continued)

For the year ended 31 December 2022

	Investment Banking US\$ '000	AKIM Sdn Bhd US\$ '000	Inter- company US\$ '000	Total US\$ '000
Net finance expense	(17,620)	-	-	(17,620)
Gain from investments - net	720	-	-	720
Share of profit from associates - net	10,916	-	-	10,916
Income from non-banking operations	16,336	-	-	16,336
Foreign exchange loss - net	-	-	-	-
Other Income	982	-	-	982
<b>Total Income</b>	<b>11,334</b>	<b>-</b>	<b>-</b>	<b>11,334</b>
Total operating expenses	(9,864)	-	-	(9,864)
Income from assets held for distribution and discontinued operations	-	(32)	-	(32)
Charge of impairment	-	-	-	-
<b>(Loss) / profit for the year</b>	<b>1,470</b>	<b>(32)</b>	<b>-</b>	<b>1,438</b>
<b>Investment in associates</b>	<b>146,423</b>	<b>-</b>	<b>-</b>	<b>146,423</b>
<b>Segment assets</b>	<b>381,260</b>	<b>179</b>	<b>-</b>	<b>381,439</b>
<b>Segment liabilities</b>	<b>289,524</b>	<b>-</b>	<b>-</b>	<b>289,524</b>

For the year ended 31 December 2021

	Investment Banking US\$ '000	AKIM Sdn Bhd US\$ '000	Alkhair Capital Saudi Arabia US\$ '000	Inter- company US\$ '000	Total US\$ '000
Net finance expense	(16,426)	-	-	-	(16,426)
Loss from investments - net	948	-	-	-	948
Share of loss from associates - net	(3,395)	-	-	-	(3,395)
Income from non-banking operations	16,139	-	-	-	16,139
Foreign exchange loss - net	(6)	-	-	-	(6)
Other income	390	-	-	-	390
<b>Total Income</b>	<b>(2,350)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,350)</b>
Total operating expenses	(12,393)	-	-	-	(12,393)
Income / (loss) from assets held for sale and discontinued operations	-	587	-	-	587
Impairment	(608)	-	-	-	(608)
<b>(Loss) / profit for the year</b>	<b>(15,351)</b>	<b>587</b>	<b>-</b>	<b>-</b>	<b>(14,764)</b>
<b>Investment in associates</b>	<b>143,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,770</b>
<b>Segment assets</b>	<b>381,485</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>381,671</b>
<b>Segment liabilities</b>	<b>280,447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,447</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27 SEGMENT INFORMATION (continued)

## Geographic segment information:

The Group operates in four geographic markets: Bahrain, Other Middle East, Asia Pacific and Europe. The following tables show the distribution of the Group's total income and non-current assets by geographical segments:

	For the year ended 31 December 2022				
	Bahrain US\$ '000	Other Middle East US\$ '000	Asia Pacific US\$ '000	Europe US\$ '000	Total US\$ '000
Total (loss) / income	(2,365)	3,835	-	-	1,470
Net (loss) / profit for the year	(2,365)	3,803	-	-	1,438
Non-current assets *	3	164,010	-	-	164,012

  

	For the year ended 31 December 2021				
	Bahrain US\$ '000	Other Middle East US\$ '000	Asia Pacific US\$ '000	Europe US\$ '000	Total US\$ '000
Total income	(1,361)	16,139	-	-	14,778
Net (loss) / profit for the year	(17,733)	2,970	-	-	(14,763)
Non-current assets *	7	168,506	-	-	168,513

\* includes equipment and investment in real estate.

## 28 EARNINGS AND EXPENSES PROHIBITED BY SHARIA

The Group did not receive any significant income or incur significant expenses that were prohibited by the Sharia.

## 29 SOCIAL RESPONSIBILITIES

The Group discharges its social responsibilities through donations to good faith charity funds.

## 30 ZAKAH

The Bank is not obliged to pay Zakah. Payment of Zakah is the responsibility of the shareholders of the Bank. Zakah payable by shareholders on their holdings in the Bank is calculated on the basis of a method prescribed by the Bank's Sharia Supervisory Board. Zakah payable by the shareholders in respect of the year ended 31 December 2022 was US\$ Nil per share (2021: US\$ Nil per share).

## 31 SUBSEQUENT EVENTS

There have been no events subsequent to 31 December 2022 that would significantly impact the amounts reported in the consolidated financial statements as at 31 December 2022.