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Independent Auditor's Report

Their Excellency Board of Directors - Future Generation Reserve

Opinion

We have audited the financial statements of Future Generation Reserve (the Reserve), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as indicated in pages from (3) to (16).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Reserve as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with the National Audit Office Law and the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI). Our responsibilities under those standards are further described in the "Responsibilities of the National Audit Office for the audit of the financial statements section" of our report. The National Audit Office is independent of the Reserve in accordance with the ISSAIs Code of Ethics requirements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Board of Directors for the Financial Statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Reserve'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 Reserve or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the National Audit Office for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 it is not a guarantee that an audit conducted in accordance with ISSAIs 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 financial statements.



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

- Identify and assess the risks of material misstatement of the 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 Reserve's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Reserve's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Reserve to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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.

**Ahmed bin Mohammed Al Khalifa
Auditor General
National Audit Office**

23 May 2022

Future Generation Reserve
Statement of financial position
As at 31 December 2021

(Expressed in United States Dollars)			
	Note	2021	2020
<u>Assets</u>			
<u>Non-current Assets</u>			
Financial assets measured at FVOCI	3	113,872,302	106,564,722
Investment property	4	37,044,186	26,461,613
Total Non-current assets		150,916,488	133,026,335
<u>Current Assets</u>			
Financial assets measured at FVPL	5	420,603,521	344,495,803
Receivables	6	9,212,719	4,040,567
Fixed deposits	7	6,000,000	13,000,000
Cash and cash equivalents	8	40,259,492	26,370,429
Total Current Assets		476,075,732	387,906,799
Total Assets		626,992,220	520,933,134
<u>Liabilities and Equity</u>			
<u>Current Liabilities</u>			
Accruals and other payables	9	1,496,456	807,586
Total Current Liabilities		1,496,456	807,586
<u>Equity</u>			
Accumulated funds	10	395,802,178	341,275,798
Retained earnings	11	212,723,133	171,395,632
Investment fair value reserve	12	16,970,453	7,454,118
Total Equity		625,495,764	520,125,548
Total Liabilities and Equity		626,992,220	520,933,134

Salman bin Khalifa Al Khalifa
Chairman

Ali bin Salman Al Khalifa
Chief Executive Officer

The notes on pages (6) to (16) form an integral part of these financial statements

Future Generation Reserve
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

(Expressed in United States Dollars)			
	Note	2021	2020
<u>Revenues</u>			
Change in fair value of financial assets measured at FVPL	5	40,340,628	27,186,417
Gains on redemption of financial assets measured at FVPL	16	-	5,070,979
Dividend income on investments	13	944,229	1,698,020
Interest income on deposits	14	523,635	2,967,217
Reimbursement of expenses by MOFNE	15	6,803,037	6,247,394
Foreign exchange gains		94,098	-
Gains on investment property revaluation	4	-	1,445,030
Other gains		-	139,701
Total Revenues		48,705,627	44,754,758
<u>Expenses</u>			
Losses on redemption of financial assets measured at FVPL	16	(572,056)	-
General and administrative expenses	15	(6,803,037)	(6,247,394)
Foreign exchange losses		-	(214,480)
Other losses		(2,919)	-
Bank charges		(114)	(807)
Net profit for the year		41,327,501	38,292,077
<u>Other comprehensive income</u>			
Change in fair value of financial assets measured at FVOCI	3+12	9,516,335	8,441,575
Losses on redemption of financial assets measured at FVOCI	17	-	(2,794,333)
Total other comprehensive income		9,516,335	5,647,242
Total comprehensive income for the year		50,843,836	43,939,319

Salman bin Khalifa Al Khalifa
Chairman

Ali bin Salman Al Khalifa
Chief Executive Officer

The notes on pages (6) to (16) form an integral part of these financial statements

**Future Generation Reserve
Statement of Cash flows
For the year ended 31 December 2021**

(Expressed in United States Dollars)			
	Note	2021	2020
<u>Operating activities</u>			
Profit for the year	11	41,327,501	38,292,077
Change in fair value of financial assets measured at FVPL	5	(40,340,628)	(27,186,417)
Dividend income on investments	13	(944,229)	(1,698,020)
Interest income on fixed deposits	14	(523,635)	(2,967,217)
Reimbursement of management and custody fees	3+5	3,642,136	2,911,632
Net movement of accumulated gains/losses on the disposal of financial assets measured at FVPL	5	1,698,433	54,513,269
Losses (gains) on redemption of financial assets measured at FVPL	5	572,056	(5,070,979)
Net movement of accumulated gains/losses on the disposal of financial assets measured at FVOCI	3+11+12	-	1,454,397
Gains on investment property revaluation	4	-	(1,445,030)
Surplus before changes in operating activities		5,431,634	58,803,712
Increase in receivables		(610,267)	(1,404,299)
Increase in accruals and other payables		688,870	272,815
Cash flows from operating activities		5,510,237	57,672,228
Dividends received on investments		748,659	1,950,935
Interest received from fixed deposits		586,069	4,237,909
Decrease in fixed deposits		7,000,000	223,453,684
Acquisition of financial assets measured at FVPL	5	(57,330,679)	(40,000,000)
Acquisition of financial assets measured at FVOCI	3	-	(29,380,619)
Disposal of financial assets measured at FVPL	5	17,646,183	121,278,717
Disposal of financial assets measured at FVOCI	3	213,536	20,144,115
Investment property additions	4	(10,582,573)	(1,189,702)
Net cash (used in) generated from operating activities		(36,208,568)	358,167,267
<u>Financing activities</u>			
Contributions received from MOFNE		50,097,631	14,952,986
Withdrawals by MOFNE	10+11+19	-	(450,000,000)
Net cash generated from (used in) financing activities		50,097,631	(435,047,014)
Net increase (decrease) in cash and cash equivalents		13,889,063	(76,879,747)
Cash and cash equivalents at the beginning of the year	8	26,370,429	103,250,176
Cash and cash equivalents at the end of the year	8	40,259,492	26,370,429

The notes on pages 6 to 16 form an integral part of these financial statements

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

1. Incorporation and Background Information

The Future Generation Reserve (the Reserve) was established, in accordance with Law No. (28) of 2006 promulgated on 17 July 2006, as a legal personality, having a financial and administrative independence. According to the mentioned law, the Reserve is funded through the contribution of (one) US dollar for every barrel of crude oil exported out of the Kingdom of Bahrain where the price of each barrel exceeds (40) US dollars. As per the first article of the above law, the contribution to the Reserve started as of 1st January 2007.

On 18 April 2022, the Decree No. (16) of 2022 with respect to the amendment of Article (1) of Decree No. (28) of 2006 was promulgated to change the contribution from the oil revenue for the Reserve based on the prices level of the barrel of crude oil exported outside the Kingdom of Bahrain starting from 1 January 2023 as per the details mentioned in the decree.

The Reserve operates independently, and its objective is to accumulate funds and invest them for use by the future generation. The Reserve is governed by a Board of Directors comprising a Chairman (Minister of Finance and National Economy) and eight directors. The board was reappointed by Decree No. (85) of 2021, to include:

- Undersecretary of Financial Affairs at the Ministry of Finance and National Economy (Deputy Chairman).
- Chairman of Legislation and Legal Opinion Commission.
- Chief Executive Officer of Economic Development Board.
- Mr. Nader Kareem Al Maskati.
- Mr. Tariq Ahmed Al Samaheji.
- Mrs. Najla Mohammad Al Shirawi.
- Mr. Ali Mousa Shafae.
- Mr. Abdullah Abdulrazzaq Bukhowa.

On 17th June 2021 Sheikh Ali Bin Salman Al Khalifa was appointed as the Chief Executive Officer (CEO) of the Future Generations Reserves Council according to Decree No. (74) of 2021.

2. Significant accounting policies

2-1 Standards used in preparation of the financial statements

The financial statements of the Reserve have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the requirements of the Law No. (28) of 2006 regarding the Future Generations Reserve Fund.

2-2 Basis of preparation

The financial statements have been prepared under the accrual basis, and historical cost convention, except for the measurement at fair value of financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and investment property.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

2-3 Functional and presentation currency

The financial statements are prepared and presented in United States Dollar (USD), which is the Reserve's functional and presentation currency. It is the currency that represents the primary economic environment in which the Reserve operates.

2-4 Investment property

Investment property include completed, under construction or redeveloped properties that are being held for rental yield or capital appreciation purposes or both. A property is classified as investment property when the definition of investment properties is met. Investment property is measured initially at its cost, including related transaction costs, the carrying amount also includes the cost of replacing part of the investment property at the time the cost was incurred if the evidentiary criteria is met. After initial recognition, investment property is carried at fair value which reflects active market prices at the date of the statement of financial position. Fair value changes are recognised in the statement of profit or loss and other comprehensive income of the incurred period. Fair value is evaluated annually by an independent external valuer by applying a model recommended by the International Valuation Standards Council.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the fair value of the investment property is recognised in the statement of profit or loss and other comprehensive income of the period in which the property is derecognised. Furthermore, a property is transferred from/to investment property when there is change in use. For a transfer from investment property to owner-occupied properties, the subsequent accounting cost is the fair value at the date of change in use. If owner-occupied properties are transferred to investment properties, the Reserve measures the properties based on investment properties policy till the date of change of use. The gain or loss on disposal of investment properties is determined as the difference between the net disposal proceeds and the fair value of the investment property in the financial statements for the entire prior period.

2-5 Financial assets

Financial assets are classified in accordance with IFRS (9) effective from 1 January 2018 into two categories, those measured at fair value (either through other comprehensive income or through profit or loss), and those measured at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses incurred are recorded in either the statement of profit or loss, or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. As for investments in equity instruments, this will depend on whether the Reserve's management chose at the time of initial recognition to account for the investment in equity at fair value through other comprehensive income. Investments in debt instruments can only be reclassified when changes in the business model occur. The reclassification is made at the beginning of the reporting period following the change.

At initial recognition, the Reserve measures a financial asset at its fair value plus (in the case of a financial asset not measured at fair value through profit or loss (FVTPL)) transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs related

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

to financial assets measured at fair value through profit or loss are recognised as expenses in the statement of profit or loss.

Classification of financial assets depends on the business model for managing the asset and the contractual terms of the cash flows, as follows:

- Amortised cost: a financial asset is measured at amortised cost if the asset is held to collect contractual cash flows (where those cash flows represent principal payments and income). Gains or losses are recognised in the statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised in the statement of profit or loss using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): financial assets are measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (where those cash flows represent principal payments and income). Changes in carrying amount are transferred through other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses are recognised in the statement of profit or loss. When the financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- Fair value through profit or loss (FVPL): financial assets are measured at fair value through profit or loss when they do not meet the criteria of financial assets measured at amortised cost or at fair value through other comprehensive income. Gains or losses on debt investments measured at fair value through profit or loss that are not part of the hedging relationship are included in the statement of profit or loss and presented in net in the profit or loss account under other profit/(loss) in the period in which they arise. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

Financial assets are derecognised when the contractual rights to receive the cash flows from the assets have expired or when the assets and all the risks and rewards of ownership rights have been transferred. Assets are assessed on a prospective basis for the expected credit losses associated with debt instrument assets measured at amortised cost and at fair value through other comprehensive income. The Reserve's management recognises such loss allowance at the date of each financial statement.

2-6 Receivables

Receivables are initially recognised at cost, minus the impairment provision. An impairment provision of receivables is recorded when there is objective evidence that the Reserve will not be able to collect all amounts in accordance with the original terms of the receivable.

2-7 Fixed deposits

Fixed deposits have maturity period ranging between 91 days up to 365 days from the date of deposit.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

2-8 Cash and cash equivalent

Cash and cash equivalents comprise of cash on hand, balances with banks and short-term deposits with maturities not exceeding three months.

2-9 Accruals and other payables

Accruals and other payables are recognised when services are received, whether billed or not.

2-10 Revenues

Revenues are recorded on the accrual basis, regardless of when it will be collectable, unless collectability is in doubt.

2-11 Expenses

Expenses are recorded on the accrual basis, accrued expenses are recorded during the period incurred regardless of when they will be paid.

2-12 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions in the Reserve's books. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation of monetary items are included in the statement of profit or loss and other comprehensive income. Non-monetary items recorded in foreign currencies are translated using the exchange rates at the dates of the transactions. Non-monetary items recorded at fair value in foreign currencies are translated using the exchange rates at the date of when the fair value was determined.

2-13 Going concern of the Reserve

The Reserve's board of directors assesses the Reserve's ability to continue as a going concern in accordance with Law No. (28) of 2006 and ensuring that the Reserve has the necessary resources for its future business continuity, by periodically reviewing and evaluating the financial position of the Reserve. Furthermore, the Reserve's liquidity is sufficient to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due in the short and long term. The financial statements have been prepared based on the going concern basis of accounting.

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

3. Financial assets measured at fair value through other comprehensive income (FVOCI)

(Expressed in United States Dollars)		
	As at 31 December	
	2021	2020
Opening balance	106,564,722	94,707,029
Additions	-	29,380,619
Disposals	(213,536)	(20,144,115)
Change in fair value of financial assets measured at FVOCI	9,516,335	8,441,575
Losses on redemption of financial assets measured at FVOCI	-	(2,794,333)
Net movement of accumulated gains/losses on the disposal of financial assets measured at FVOCI	-	(1,454,397)
Reimbursement of management and custody fees	(1,995,219)	(1,571,656)
Closing Balance	113,872,302	106,564,722

The following table compares the cost and fair value of each type of investment as at 31 December 2021:

(Expressed in United States Dollars)			
	At fair value	At cost	Difference
Fixed income	32,679,978	30,000,000	2,679,978
Alternative investments	69,391,708	57,300,906	12,090,802
Private equity	11,800,616	15,194,669	(3,394,053)
Total	113,872,302	102,495,575	11,376,727

4. Investment property

(Expressed in United States Dollars)		
	As at 31 December	
	2021	2020
Opening balance	26,461,613	23,826,881
Capital expenditure incurred	10,582,573	1,189,702
Gains on Investment property revaluation	-	1,445,030
Closing balance	37,044,186	26,461,613

His Majesty, the King Shaikh Hamad Bin Isa Al-Khalifa granted a freehold land to the Reserve in May 2014, its value was recorded based on the lowest value received from three independent external valuers on the date of land transfer, its market value was recorded in the Reserve's books in 2014 under "Property". In 2015, it has been decided by the Reserve's board of directors to utilize the land through building a tower for the purpose of investing and leasing, therefore the land was reclassified to "Investment Property". In 2021, The land and any

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

additions related to construction was revalued based on the lower value received from two independent real estate valuation companies.

5. Financial assets measured at fair value through profit or loss (FVPL)

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Opening balance	344,495,803	449,370,369
Additions	57,330,679	40,000,000
Disposals	(17,646,183)	(121,278,717)
Change in fair value of financial assets measured at FVPL	40,340,628	27,186,417
Net movement of accumulated gains/losses on the disposal of financial assets measured at FVPL	(1,698,433)	(54,513,269)
(Losses) Gains on redemption of financial assets measured at FVPL	(572,056)	5,070,979
Reimbursement of management and custody fees	(1,646,917)	(1,339,976)
Closing balance	420,603,521	344,495,803

The following table compares the cost and fair value of each type of investment as at 31 December 2021:

	(Expressed in United States Dollars)		
	At fair value	At cost	Difference
Fixed income	136,795,004	105,951,333	30,843,671
Equity instruments	149,579,867	85,022,400	64,557,467
Alternative investments	105,473,218	89,634,223	15,838,995
Managed funds	28,755,432	23,141,306	5,614,126
Total	420,603,521	303,749,262	116,854,259

6. Receivables

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Contribution Receivables	4,428,749	-
Management and custody fees receivables (Reimbursable expenses by MOFNE)	4,291,325	3,681,620
Accrued interest on deposits	400	62,834
Dividends receivables	482,626	287,056
Prepayments	9,619	9,057
Total	9,212,719	4,040,567

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

7. Fixed Deposits

Maturity Period	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
3 to 6 Months	6,000,000	13,000,000
Total	6,000,000	13,000,000

8. Cash and cash equivalents

Currency	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
United States Dollars	38,552,015	25,827,762
Great Britain Pounds	1,707,477	542,667
Total	40,259,492	26,370,429

9. Accruals and other payables

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Other payables	1,388,006	692,956
Accrued management and custody fees	-	44,320
Leave accruals	108,450	70,310
Total	1,496,456	807,586

10. Accumulated Funds

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Opening balance	341,275,798	679,001,994
Contributions earned for the year	54,526,380	8,877,898
Withdrawals by MOFNE (note 19)	-	(346,604,094)
Closing balance	395,802,178	341,275,798

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

11. Retained earnings

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Opening balance	171,395,632	235,045,064
Profit for the year	41,327,501	38,292,077
Withdrawals by MOFNE (note 19)	-	(103,395,906)
Net movement of accumulated gains/losses on the disposal of financial assets measured at FVOCI	-	1,454,397
Closing balance	212,723,133	171,395,632

12. Investment fair value reserve

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Opening Balance	7,454,118	3,261,273
Change in fair value of financial assets measured at FVOCI	9,516,335	8,441,575
Net movement of accumulated gains/losses on the disposal of financial assets measured at FVOCI	-	(1,454,397)
Losses on redemption of financial assets measured at FVOCI	-	(2,794,333)
Closing balance	16,970,453	7,454,118

13. Dividend income on investments

	(Expressed in United States Dollars)	
	For the year ended 31 December	
	2021	2020
Alternative investments	944,229	1,698,020
Total	944,229	1,698,020

14. Interest income on deposits

Maturity Period	(Expressed United States Dollars)	
	For the year ended 31 December	
	2021	2020
Less than 3 months	499,568	1,409,075
From 3 to 6 months	24,067	1,513,384
More than 6 and up to 12 months	-	44,758
Total	523,635	2,967,217

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

15. Reimbursement of General and administrative expenses by Ministry of Finance and National Economy

As per article (13) of Law No. (25) of 2008 general and administrative expenses incurred by the Reserve are reimbursed by the Ministry of Finance and National Economy. The total reimbursement received from Ministry of Finance and National Economy (MOFNE) for fiscal year ended 31 December 2021 was 6,803,037 USD. The breakdown of the Reserve's expenses for the year are as follows:

	(Expressed in United States Dollars)	
	For the year ended 31 December	
	2021	2020
Management and custody fees	5,179,436	4,616,154
Consulting fees	750,000	841,667
Staff expenses	524,694	422,387
Other general and administrative expenses	190,750	200,165
Director's remuneration	140,072	148,936
Auditing fees	18,085	18,085
Total	6,803,037	6,247,394

16. (Losses) Gains on redemption of financial assets measured at FVPL

	(Expressed in United States Dollars)	
	For the year ended 31 December	
	2021	2020
Fixed income	(572,056)	5,919,629
Equity instruments	-	(2,269,162)
Managed funds	-	1,420,512
(Losses) Gains on redemption of financial assets	(572,056)	5,070,979

Losses incurred on the redemption of financial assets measured at FVPL pertains to the losses of the investments during the financial year 2020 and 2021 only, and they do not reflect the performance of the investments during their full lifetime.

17. Losses on redemption of financial assets measured at FVOCI

	(Expressed in United States Dollars)	
	For the year ended 31 December	
	2021	2020
Equity instruments	-	(2,794,333)
Losses on redemption of financial assets	-	(2,794,333)

Future Generation Reserve
Notes to the financial statements
For the year ended 31 December 2021

Losses incurred on the redemption of financial assets measured at FVOCI pertains to the losses of the investment during the financial year 2020 only, and they do not reflect the performance of the investment during their full lifetime.

18. Assets and liabilities and risk management

Assets and liabilities included in the Statement of Financial Position: includes financial assets measured at fair value through other comprehensive income, investment properties, financial assets measured at fair value through profit or loss, receivables, fixed deposits, cash and cash equivalent and accruals and other payables. Accounting policies relating to each item are disclosed in the notes associated with each item.

Interest rate risk: is the risks of change in the value of financial instruments as a result of market fluctuations in interest rates. Interest rates on Reserve deposits are calculated at the date of inception, so changes in interest rates correspond to the renewal of deposits upon maturity. Reserve assets and liabilities are not affected by interest rate risks.

Fair value measurement: is the amount at which any asset can be exchanged, or any obligation can be settled between two parties who are familiar with the details of the transaction on a commercial basis.

Liquidity risk: is the risk of the Reserve's inability to obtain the funds needed to meet obligations associated with financial assets and liabilities. Liquidity risk can result from Reserve's inability to sell its financial assets at the appropriate speed and at a value close to its fair value. Liquidity risk is managed by ensuring that sufficient cash is available on an ongoing basis to enable the Reserve to meet its future obligations when due.

Foreign exchange risk: is the risk of change in the value of assets and financial liabilities as a result of fluctuations in the exchange rate of foreign currencies, and differences resulting from exchange rate changes are recorded in the statement of profits, losses, and other comprehensive income.

19. Impact of COVID-19

During 2020, the outbreak of the emerging COVID-19 pandemic disrupted businesses, global economic activity and oil prices, caused the Government of the Kingdom of Bahrain to take several economic decisions to mitigate the negative financial impact of the pandemic on economic activity, and the Future Generations Reserve Board took several precautionary and preventive measures to ensure compliance with safety and health regulations in terms of the safety of its employees, as well as to maintain the effectiveness of portfolio structure to minimize the impact of the inevitable losses incurred by investors.

The Law No. (23) of 2020 regarding the use of part of the Reserve's funds was issued on the 13th July 2020. Article (1) of the law temporarily suspended the deduction from oil revenues allocated to the Reserve until the end of fiscal year 2020. In addition to deducting \$450 million from the Reserve's fund only once in accordance with article (2) of the same decree, to support the state budget during the remainder of fiscal year 2020, in order to reduce the emergency financial impacts of the emerging COVID-19 pandemic, with this amount to be covered at the end of the emergency financial impacts. This affected Reserve's assets and reduced oil contributions in 2020 compared to 2021.

Future Generation Reserve
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20. Financial commitments

Financial commitments represent amounts related to investment and other contracts that have been committed but not fully paid, the reserve's financial commitments are as follow:

	(Expressed in United States Dollars)	
	As at 31 December	
	2021	2020
Alternative investments	4,999,632	5,242,382
Construction of the Reserve Tower	53,135,271	61,537,634
Total	58,134,903	66,780,016