Al Dar Capital Company B.S.C. (c)

Consolidated financial statements for the year ended 31 December 2021

Index

Commercial registration no.	66163 obtained on 8 August 2007	
CBB Licence no.	IBF-1/031 obtained on 1 October 2020 (previously WB/064 obtained on 17 July 2007)	
Board of Directors	Mubarak A M H A Al Quoud Abdullah M A M S AlHumaidhi Mohamed Abdulrahman Ahmed AlMutawa Ibrahim Abbas Athman Sukhi Issa Y E AlShamlan Mohamed Ebrahim Hasan AlHammadi Yusuf Mohamed Yusuf AlThawadi	- Chairman - Deputy Chairman - Chief Executive Officer
Executive Committee	Abdullah M A M S AlHumaidhi Mohamed Abdulrahman Ahmed AlMutawa Ibrahim Abbas Athman Sukhi	- Chairman
Audit Committee	Mohamed Ebrahim Hasan AlHammadi Issa Y E AlShamlan Yusuf Mohamed Yusuf AlThawadi	- Chairman
Corporate Governance and Nomination Committee	Yusuf Mohamed Yusuf AlThawadi Mohamed Ebrahim Hasan AlHammadi Dr. Isam Khalf Alanzi	- Chairman
Shari'a Supervisory Advisor	Isam Mohammed Ishaq Dr. Isam Khalf Alanzi Dr. Abdul aziz Alqassar	- Chairman
Registered office	Flat No. 131, Building No. 31 Block No. 305, Al-Zamil Towers Government Avenue PO Box 75751 Manama Kingdom of Bahrain	
Bankers	Bahrain Islamic Bank Ahli Bank of Kuwait EFG Bank LTD Khaleeji Commercial Bank	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

Al Dar Capital

Report of the Board of Directors for Al Dar Capital Company BSC (closed)
For the Ended Fiscal Year on December 31, 2021 AD

In the name of Allah, the Merciful

Praise be to Allah the Lord of the worlds and may the blessings and peace of Allah be upon the most honored of messengers our master Mohammed and upon all his family and companion

Dear Shareholders,

We are pleased and proud of your precious confidence in assigning us to prepare the annual report of our company, Al Dar Capital B.S.C. (closed) for the fiscal year ending on December 31, 2021,

At the outset, we would like to note what the majority of economic sectors around the world were exposed to due to the Covid-19 pandemic, and its subsequent changes, which had a severe negative impact on the world.

As soon as we caught our breath when believing that the disease was confined to the first half of 2021, but the matter evolved so that the virus witnessed varying fluctuations and spread remarkably with the emergence of new mutations, the last of which was the Omicron virus, which spread widely and rapidly throughout the world and the Kingdom of Bahrain on in particular.

To overcome this crisis, persistent efforts and teamwork must be made to contain and eradicate this disease, which the world has not witnessed before in terms of its spread and the economic and health effects that have deteriorated due to its spread, and easing restrictions imposed on the public and shops to revive markets and flourish them again.

The government of the Kingdom of Bahrain did not hesitate or spare no effort in overcoming this crisis. It took preventive measures to reduce these repercussions, formulated many laws and legislations to limit the spread of this disease, and sought to provide antiviral medicines and vaccines free of charge to all citizens and residents in the Kingdom of Bahrain. Not only this; But it has launched financial packages to support the national economy and small and medium enterprises by injecting soft loans to help them continue to study this pandemic. And as our government used to be a support for its citizens in disasters and crises, as it took a package of decisions to support the low-income and those affected by the business sector by this pandemic, and allowed the postponement of loans to citizens and small and medium enterprises. Unfortunately, the epidemic is expected to continue until the end of 2022 AD, according to the World Health Organization, and this means the continuation of the state of stagnation and market instability until this pandemic ends.

During this stressful time, Al Dar Capital continued its plan of maintaining its financial position considering this economic crisis and managing its assets conservatively, away from rushing to enter markets or sectors with fluctuating performance. On the other hand, the company improved the performance of its assets by doubling the income of one of its real estate assets where it has achieved 97% profitability after signing a lease agreement with a new tenant.

It is unfortunate that the outgoing year 2021 is crowned with a loss, which amounted to USD 2.0 million on December 31, 2021, compared to a profit of USD13 million in 2020, and the agency account with the parent company was settled in 2020 with an amount of USD18.9 million.

However, the company's financial position was not fundamentally affected by this loss due to our made efforts to achieve that aim by transferring USD 7 million from the cash account to the short-term Murabaha account, which has enhanced the company's profitability and maintained its liquidity levels.

The total expenses of the meetings of the Board and its committees, including attendance allowance and expenses allowance, amounted to 93,000 Bahraini Dinars. The Board of Directors did not pass a resolution for distributing any bonuses, salaries or a share of profits to members during the ended fiscal year on December 31, 2021 AD. The total salaries of the six highest paid members of the executive management amounted to 405.363 Bahraini dinars, without any bonuses or shares. The attached tables provide more details in this regard.

In order to achieve such transparency, an accurate and regular disclosure system should be established that complies with all requirements and standards stipulated in the Corporate Governance Code and relevant Central Bank of Bahrain laws.

The Board of Directors recommends that the company continue to exert its efforts, apply and comply with an approach that takes into account the rapid development in the global banking industry and periodic observance of policies and procedures to achieve higher degrees of oversight, transparency, good performance, and full commitment to the application of the principles of the lofty Islamic Sharia.

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

First: Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Mubarak Abdulrahman Al Qouad	0.000	9,000	0.000	0.000	9,000	0.000	0.000	0.000	0.000	0.000	0.000		
2- Mohammed Ebrahim Al Hammadi	0.000	14,000	0.000	0.000	14,000	0.000	0.000	0.000	0.000	0.000	0.000		
3- Yousif Mohamed Al Thawadi	0.000	14,000	0.000	0.000	14,000	0.000	0.000	0.000	0.000	0.000	0.000		
Second: Non-Executive Directors:													
1- Eissa Yousif Al-Shamlan	0.000	9,000	0.000	0.000	9,000	0.000	0.000	0.000	0.000	0.000	0.000		
Third: Executive Directors:													
1- Abdulla Meshari Al-Humaidhi	0.000	14,000	0.000	0.000	14,000	0.000	0.000	0.000	0.000	0.000	0.000		
2- Mohammed A.Rahman Al-Mutaweh	0.000	19,000	0.000	0.000	19,000	0.000	0.000	0.000	0.000	0.000	0.000		
3- Ebrahim Abbas Al Sukhi	0.000	14,000	0.000	0.000	14,000	0.000	0.000	0.000	0.000	0.000	0.000		
Total	0.000	93,000	0.000	0.000	93,000	0.000	0.000	0.000	0.000	0.000	0.000		

Note: All amounts must be stated in Bahraini Dinars.
Other remunerations:
*** It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).**
**** It includes the board member's share of the profits - Granted shares (insert the value) (if any).**

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 20XX	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	BD. 405,636.208	0.000	0.000	BD. 405,363.208

Note: All amounts must be stated in Bahraini Dinars.

*** The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).**
**** The company's highest financial officer (CFO, Finance Director, ...etc)**

In conclusion, we would like to extend our thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa, beloved King of the country, and His Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister for their continuous and unlimited support to develop the banking sector of our honorable homeland " Kingdom of Bahrain".

Mubarak A M H A Al Quoud
Chairman

الـــدار كـــابيتال
Al Dar Capital

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على رسوله الأمين وعلى آله وأصحابه أجمعين

Shari'ah Supervisory Board ("SSB") Report

To the Shareholders of Al Dar Capital Company B.S.C. (c)
For the Financial Period Ending 31.12.2021

Dear Shareholders/Al Dar Capital Company,

After the confirmation of the Executive Management of the entity that it's still applying the contracts and applications that were reviewed previously by the Shari'ah Supervisory Committee where the Committee is confident that it is in compliance with Islamic Shari'ah Principles, and we present our report as follows:

We have reviewed the principles and contracts relating to the transactions and applications conducted by Al Dar Capital Company B.S.C. (c) during the course of the period from its incorporation up to December 31, 2021. Our review was conducted in order to judge whether the Entity followed the principles of the Islamic Shari'ah, specific fatwas, and guidelines issued by the Shari'ah Supervisory Board.

The Entity's Board of Directors are responsible for ensuring that its operations are carried out in compliance with the rules and principles of the Islamic Shari'ah. It is our responsibility to present an independent view of the Entity's operations and to communicate it to the shareholders.

The Shari'ah Supervisory Board reviewed the financial statements prepared by the Management for the financial year ended 31st December 2020. These activities were limited to settlements and restructuring of previous transactions and investment in short -term murabha transactions, we found no violations or contradictions to any of Shari'ah law.

Date: 17th February 2022

Sheikh Esam Mohamed Ishaq
Chairman of Shari'ah Supervisory Board

Sheikh Dr. Esam Khalaf Al Enezy
Member of Shari'ah Supervisory Board

Sheikh, Dr. Abdul Aziz Al-Qassar
Member of Shari'ah Supervisory Board

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Independent auditor's report to the shareholders of Al Dar Capital Company B.S.C. (c)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Al Dar Capital Company B.S.C. (c) ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the related consolidated statements of income, consolidated statement changes in owners' equity, consolidated statement of cash flows and statement of changes in restricted investment accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and the consolidated results of the operations, changes in owners' equity, its cash flows for the year then ended in accordance with the Financial Accounting Standards 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

(1) *Going concern*

As explained in Note 29, the Group has acted as an agent in Wakala investments totalling US$477,307,508 where various investors and financial institutions have placed funds with the Parent Company and others. The Parent Company and others have defaulted on repayments of these Wakala and restricted investment accounts. The repayments were rescheduled under a stipulated court judgment served on the Parent Company by the Kuwaiti Special Circuit Court of Appeal in June 2011.

After first repayment the Parent Company did not repay any subsequent tranches. The Parent Company proposed a revised restructuring plan which was approved by the majority of investors and creditors for settlement of debts. However, on 10 October 2018, the Special Circuit Court of Appeal in its hearing, rejected TID's revised restructuring plan ("Al Sharq Plan"). During 2019, the Parent Company transferred certain liquid assets and a set of liabilities to five different Special Purpose Vehicles ("SPV") in order to settle the individual creditors. The consideration for settlement was agreed based on the valuation prepared by the Parent Company which has resulted in a haircut of approximately 50% of the outstanding balances. The share transfer process will be initiated upon the acceptance of the offer by all the creditors proposed for these SPVs'.

Independent auditor's report to the shareholders of Al Dar Capital Company B.S.C. (c) (continued)

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

Emphasis of matter (continued)

(1) *Going concern (continued)*

Also, the Group has accumulated losses of US$109,098,919 resulting in significant erosion of share capital of the Group as at 31 December 2021.

These factors raise doubt about the Group's ability to continue to operate as going concern. However, based on the legal opinion, the Group has no obligation to sell directly any of the assets owned by the Group nor to liquidate the Group in order to meet the Parent Company's liabilities. Further, the Board of directors have no intention to liquidate the Group and is evaluating alternative plans to revive the Group's financial position. The Extra Ordinary General meeting of the shareholders held on 21 March 2019 approved the absorption of the accumulated losses of US$70,000,000 against the share capital which will result reduction in accumulated losses on conversion of license. Accordingly, the management has continued to prepare these consolidated financial statements on a going concern basis.

Management's view on the going concern assumption is explained in Note 29.

(2) *Title and fair value of investment in real estate held-for-use*

During the year ended 31 December 2012, an overdue Murabaha debt receivable of US$50,986,836 as detailed in Note 12(a) was settled through a transfer of real estate assets to the Group. The Group had US$15,705,723 impairment provision recognised against this debt receivable as at 31 December 2012. The assets were valued at US$35,281,113, an amount equivalent to the value of outstanding Murabaha receivables less of impairment provision. The assets comprise a majority shareholding in two companies whose principal assets are ownership rights over certain real estate. Absolute title to this real estate is held in trust by a third party, while the Group possess the original title deed along with waiver letter from third party declaring the absolute ownership to the Group. The subsidiary companies holding the underlying real estate are consolidated in this consolidated financial statements as at 31 December 2021.

(3) *Title and fair value of investment securities*

During 2020, as per the settlement contract dated 2 February 2020, the Group has accepted 14% as an ownership interest in one of the SPVs named Excellent Opportunities For General Trading and Contracting ("the SPV"), in full and final settlement of its Wakala exposures towards the Parent Company (Note 11) amounted to USD16,830,889. The process of transferring the ownership of the SPV from the Parent Company is under process with relevant regulatory authorities as at 31 December 2021. Further, the Parent Company has acknowledged the delay in the process of transferring the ownership of the SPV from the Parent Company to the Group and have assured in case the transfer process will not be completed by 31 March 2022, the Parent Company will replace the interest in the SPV with another asset with values as per settlement agreement. The investment is carried in books at USD15,516,555 based on the latest available audited financial statement of the SPV for the year ended 31 December 2020. The management has not recorded any fair value movement for the year ended 31 December 2021 due to the current status of transfer of legal title in the SPV to the Group which is pending as at the reporting date.

Our opinion is not modified in respect of the above matters.

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Independent auditor's report to the shareholders of Al Dar Capital Company B.S.C. (c) (continued)

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

Other information included in the Group's consolidated financial statements
Other information consists of the information included in the Board of Directors' report and the Shari'a Supervisory Board's 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.

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.

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Independent auditor's report to the shareholders of Al Dar Capital Company 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 (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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.

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Independent auditor's report to the shareholders of Al Dar Capital Company B.S.C. (c) (continued)

Report on Other Legal and Regulatory Requirements

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

a) the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Board of Directors Report is consistent with the consolidated financial statements;

c) except for the matters referred to in the *Emphasis of matter* section of our report and the share capital of the Group being significantly eroded as at 31 December 2021 and is not sufficient as required by Article 109 of the Bahrain Commercial Companies Law, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (Volume 4) and Financial institutions law and central bank directives, regulations and associated resolutions, rules and procedures or the terms of the Company's Memorandum and Articles of Association during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Group or on its consolidated financial position; and

d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

BDO

Manama, Kingdom of Bahrain
17 February 2022

BDO
Public Accountants
Reg. No. 151
Nath Venkitachalam Viswanath

See Auditor's Report dated 17-02-2022
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

Al Dar Capital Company B.S.C. (c)
Consolidated statement of financial position as at 31 December 2021
(Expressed in US Dollars)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	1,992,580	10,910,058
Prepayments and other assets	8	84,464	81,431
Short-term investments	9	7,000,000	-
Investment securities	10	22,647,812	24,142,379
Investment in real estate held-for-use	12	44,380,927	44,586,405
Right-of-use asset	13	165,604	-
Property and equipment	14	13,505,382	13,525,077
Total assets		89,776,769	93,245,350
EQUITY AND LIABILITIES			
Liabilities			
Net ijara liability	15	169,673	-
Accruals and other payables	16	666,963	648,655
Total liabilities		836,636	648,655
Equity			
Share capital	17	200,000,000	200,000,000
Statutory reserve	18(i)	3,035,339	3,035,339
Property fair value reserve	12(b)	(343,301)	(134,229)
Investments fair value reserve	18(ii)	(6,393,311)	(4,801,015)
Unrealised foreign currency translation losses on net investment in foreign operations	18(iii)	(575,691)	(622,734)
Foreign currency translation reserve	18(iv)	(256,854)	(355,955)
Accumulated losses		(109,098,919)	(107,136,989)
		86,367,263	89,984,417
Non-controlling interest	19	2,572,870	2,612,278
		88,940,133	92,596,695
Total liabilities and equity		89,776,769	93,245,350
Off-statement of financial position items			
Restricted investment accounts:			
- Others	20	477,307,508	477,307,508
- Financial institutions		-	-

The consolidated financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:

Mubarak A M H A Al Quoud Chairman	Abdullah M A M S AlHumaidhi Deputy Chairman	Mohamed Abdulrahman Ahmed AlMutawa Director and Chief Executive Officer

See Auditor's Report dated 17-02-2022
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

Consolidated statement of income for the year ended 31 December 2021
(Expressed in US Dollars)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Income			
Other income	21	532,401	19,428,905
Expenses			
Staff costs	22	(1,574,121)	(1,413,159)
Other operating expenses	23	(920,210)	(902,408)
Impairment loss on property and equipment	14	-	(3,653,716)
Total expenses		(2,494,331)	(5,969,283)
Net (loss)/profit for the year		(1,961,930)	13,459,622
Basic and diluted (losses)/earning per share (in US$ cents)	28	(0.98)	6.73

The consolidated financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:

Mubarak A M H A Al Quoud
Chairman

Abdullah M A M S AlHumaidhi
Deputy Chairman

Mohamed Abdulrahman Ahmed AlMutawa
Director and Chief Executive Officer

Al Dar Capital Company B.S.C. (c)
Consolidated statement of changes in Owners' equity for the year ended 31 December 2021
(Expressed in US Dollars)

	Share capital	Statutory reserve	Property fair value reserve	Investment fair value reserve	Unrealised foreign currency translation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total
At 31 December 2019	200,000,000	1,686,626	1,239,929	(3,221,930)	(589,832)	(337,525)	(119,247,898)	79,529,370	2,496,148	82,025,518
Net profit for the year	-	-	-	-	-	-	13,459,622	13,459,622	-	13,459,622
Transferred to statutory reserve (Note 18i)	-	1,348,713	-	-	-	-	(1,348,713)	-	-	-
Unrealised fair value loss on investments in real estate held-for-use (Note 12)	-	-	(1,374,158)	-	-	-	-	(1,374,158)	116,130	(1,258,028)
Unrealised fair value loss on investment securities (Note 10)	-	-	-	(1,579,085)	-	-	-	(1,579,085)	-	(1,579,085)
Unrealised foreign currency translation losses on net investment in foreign operations	-	-	-	-	(32,902)	-	-	(32,902)	-	(32,902)
Foreign currency translation loss on investment securities	-	-	-	-	-	(18,430)	-	(18,430)	-	(18,430)
At 31 December 2020	200,000,000	3,035,339	(134,229)	(4,801,015)	(622,734)	(355,955)	(107,136,989)	89,984,417	2,612,278	92,596,695
Net loss for the year	-	-	-	-	-	-	(1,961,930)	(1,961,930)	-	(1,961,930)
Unrealised fair value loss on investments in real estate held-for-use (Note 12)	-	-	(209,072)	-	-	-	-	(209,072)	(39,408)	(248,480)
Unrealised fair value loss on investment securities (Note 10)	-	-	-	(1,592,296)	-	-	-	(1,592,296)	-	(1,592,296)
Unrealised foreign currency translation gain on net investment in foreign operations	-	-	-	-	47,043	-	-	47,043	-	47,043
Foreign currency translation gain on investment securities	-	-	-	-	-	99,101	-	99,101	-	99,101
At 31 December 2021	200,000,000	3,035,339	(343,301)	(6,393,311)	(575,691)	(256,854)	(109,098,919)	86,367,263	2,572,870	88,940,133

(Expressed in US Dollars)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Operating activities			
Net (loss)/profit for the year		(1,961,930)	13,459,622
Adjustments for:			
Depreciation	14	22,829	22,615
Amortisation on right-of-use asset	13	60,220	-
Net movement in foreign exchange		6,004	(10,512)
Income on Wakala settlement		-	(16,830,889)
Reversal of liabilities no longer required to be payable		(3,313)	(2,125,772)
Impairment loss on property and equipment	14	-	3,653,716
Changes in operating assets and liabilities:			
Prepayments and other assets		(3,073)	14,683
Accruals and other liabilities		21,070	176,510
Net cash used in operating activities		(1,858,193)	(1,640,027)
Investing activities			
Additions in short-term investments		(7,000,000)	-
Withdrawal in short-term investments		-	10,000,000
Net ijara liability payment		(56,151)	-
Purchase of property and equipment	14	(3,134)	(7,567)
Net cash (used in)/provided by investing activities		(7,059,285)	9,992,433
Net (decrease)/increase in cash and cash equivalents		(8,917,478)	8,352,406
Cash and cash equivalents, beginning of the year		10,910,058	2,557,652
Cash and cash equivalents, end of the year	7	1,992,580	10,910,058

(Expressed in US Dollars)

Wakala investments

	31 December 2021	31 December 2020
Closing balance	477,307,508	477,307,508

Wakala investments represent amounts received from the investors under Wakala contracts where the Company acts as a Wakil (agent) and are in turn placed investments with the Parent Company and other entities on a Wakala basis.

In prior years, the Group accepted money from investors under restricted Wakala (agency) investment contracts and has in turn placed these Wakala investments with its Parent Company and others. As at 31 December 2021, US$477,307,508 (31 December 2020: US$477,307,508) of the restricted investment accounts on Wakala contracts due to institutions were overdue. Under the terms of the Parent Company restructuring plan approved by the Kuwaiti Special Circuit Court of Appeal on 2 June 2011 under the protection of the Kuwait Financial Stability Law, all Wakala contracts relating to individuals and non-regulated companies have been paid by 31 December 2012 and the repayment of remaining Wakala contracts was scheduled to be repaid over five tranches by 30 June 2017. The Parent Company did not settle any debts relating to these restricted Wakala contracts during the year (2020: US$Nil).

* Also refer the settlement plan detailed in Note 29 (3).

(Expressed in US Dollars)

1 Organisation and activities

Al Dar Capital Company B.S.C. (c) ("the Company") and its subsidiaries (together "the Group") is a Bahraini closed shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 66163 obtained on 8 August 2007. The "Parent Company" of the Group is The Investment Dar Company K.S.C., a Kuwaiti incorporated Company listed on Kuwait Stock Exchange, which owns directly and indirectly more than 50% of the share capital of the Group.

The Company has converted its license from a wholesale bank ("Islamic Principles") to an investment business firm - Category 1 ("Islamic Principle") and to operate under the name of "Al Dar Capital Company B.S.C. (c)" and accordingly activities are regulated by the CBB and supervised by a Religious Supervisory Board ("the Shari'a Board").

The principal activities of the Company include fund management activities.

The registered office of the Group is in the Kingdom of Bahrain.

These consolidated financial statements, set out on pages 10 to 42, were approved and authorized for issue by the shareholders on 17 February 2022.

As at 31 December 2021 and 2020, the Company owned the following subsidiaries:

Name	Country of incorporation	Proportion of ownership interest 2021	Proportion of ownership interest 2020	Non-controlling ownership interest 2021	Non-controlling ownership interest 2020
Darco Real Estate Investment Co. W.L.L.	Kingdom of Bahrain	100%	100%	-	-
Al Honaniya Real Estate Co. W.L.L.	Kuwait	100%-Indirect holding	100%-Indirect holding	-	-
North Victoria Limited *	Jersey, Channel Islands	100%	100%	-	-
Gibson North Limited *	Jersey, Channel Islands	77.425%	77.425%	22.575%	22.575%

These financial statements have been prepared on a consolidated basis and comprise the financial statements of the Company and its subsidiaries (together referred as "the Group").

(*)The Company acquired the shares of North Victoria Limited and Gibson North Limited ("the Subsidiaries") as part of a settlement of a Murabaha placement with a related party of the Parent Company during 2012 (Refer Note 12(a)). As per the settlement contract, the liabilities as on the date of settlement in the books of these companies were not transferred to the Company. The main asset in the books of the subsidiaries was the value of islands in "The World", Dubai, UAE, which have been treated as investment properties on consolidation. The value of the investment properties was restricted to the value of the Murabaha carried in the books of the Company prior to the settlement.

2 Basis of preparation

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

3 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and by other parties;
- other contractual arrangements; and
- historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

4 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, except for the initial adoption of FAS 32 "Ijarah".

Standards, amendments and interpretations effective and adopted in 2021

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2021 and has been adopted in the preparation of these financial statements:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 32	Ijarah	1 January 2021

FAS 32 sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic financial institutions as a lessor and lessee.

The Group has applied FAS 32 "Ijarah" from 1 January 2021. The impact of adoption of this standard is disclosed in (b) below.

(a) Change in accounting policy

Identifying an Ijarah

At inception of a contract, the Company assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration. For Ijarah contracts with multiple components, the Company accounts for each Ijarah component within a contract separately from non-Ijarah components of the contract (e.g. service fee, maintenance charges, toll manufacturing charges etc.).

4 Significant accounting policies (continued)

Standards, amendments and interpretations effective and adopted in 2021 (continued)

Measurement

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Company allocates the consideration in the contract to each Ijarah component on the basis of relative stand-alone price of the Ijarah component and the aggregate estimated stand-alone price of the non-Ijarah components, that may be charged by the lessor, or a similar supplier, to the lessee.

At the commencement date, a lessee shall recognise a right-of-use (usufruct) asset and a net ijarah liability.

i) Right-of-use (usufruct) asset

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah). The prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction. As per the group's assessment, at the time of implementation the fair value of right-of-use assets are equal to the net Ijarah liability.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

The Company amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Company determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- Extension periods if it is reasonably certain that the Bank will exercise that option; and/ or
- Termination options if it is reasonably certain that The Bank will not exercise that option.

The Company carries out impairment assessment in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments" to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

4 Significant accounting policies (continued)

Standards, amendments and interpretations effective and adopted in 2021 (continued)

Measurement (continued)

ii) Net ijarah liability

The net ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability).

The gross Ijarah liability are initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:

- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted-off with the gross Ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintenance. As of 31 December 2021, the Company did not have any contracts with variable or supplementary rentals.

After the commencement date, the Company measures the net Ijarah liability by:

- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or to reflect revised Ijarah rentals.

The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method. After the commencement date, the Bank recognises the following in the income statement:

- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur.

Ijarah contract modifications

After the commencement date, the Company accounts for Ijarah contract modifications as follows:

- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: Recalculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset.

(Expressed in US Dollars)

4 Significant accounting policies (continued)

Standards, amendments and interpretations effective and adopted in 2021 (continued)

Ijarah contract modifications (continued)

For modifications not meeting any of the conditions stated above, the Company considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Company recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

Expenses relating to underlying asset

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Company, are recognised by the Company in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

Recognition exemptions and simplified accounting for the lessee

The Group has elected not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and net Ijarah liability for the following:

- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets which have similar characteristics and operational utility. However, low-value Ijarah exemption is applied on an individual asset, Ijarah transaction, and not on group/ combination basis.

(b) Impact on adoption of FAS 32

The management of the Company has decided to apply FAS 32 using the modified retrospective approach (i.e. the impact of all the Ijarah contracts outstanding as at 31 December 2020 are reflected in the balances as of 1 January 2021) and therefore comparative information has not been restated. The impact of adoption of FAS 32 as at 1 January 2021 has resulted in an increase in right-of-use asset and an increase in net Ijarah liability by US$225,824. The lease contracts comprise of the premises of the building and car park.

	Total assets	Total liabilities
Closing balance (31 December 2020)	93,245,350	648,655
Impact on adoption:		
Right-of-use asset	225,824	-
Net ijara liability	-	225,824
Opening balance under FAS 32 on date of initial application of 1 January 2021	93,471,174	874,479

(Expressed in US Dollars)

4 Significant accounting policies (continued)

Standards, amendments and interpretations issued and effective in 2020 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 2021 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 31	Investment agency (Al-Wakala Bi Al-Istithmar)	1 January 2021
FAS 33	Investments in sukuk, shares and similar instruments'	1 January 2021
FAS 34	Financial reporting for sukuk-holders	1 January 2021
FAS 35	Risk reserves	1 January 2021

Standards, amendments and interpretations issued but not yet effective in 2021

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2021. They have not been adopted in preparing the financial statements for the year ended 31 December 2021 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 38	Wa'ad, khiyar and tahawwut	1 January 2022
FAS 1	General presentation and disclosures in the financial statements	1 January 2023
FAS 39	Financial Reporting for Zakah	1 January 2023
FAS 40	Financial Reporting for Islamic Finance Windows	1 January 2024

Early adoption of amendments or standards in 2021

The Group did not early-adopt any new or amended standards in 2021. There would have been no change in the operational results of the Group for the year ended 31 December 2021 had the Group early adopted any of the above standards applicable to the Group.

Investment securities

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, are classified as investment securities in the consolidated statement of financial position.

Investment securities are initially recorded at cost and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of investment securities are recognised in the consolidated statement of Owners' equity. The fair values of investments listed on active markets are determined by reference to quoted market prices. The fair values of securities listed on inactive markets and unlisted investments are determined using other generally accepted valuation methods such as the adjusted prices of similar instruments. Investment securities for which fair values cannot be measured reliably are recognised at cost less impairment.

4 Significant accounting policies (continued)

Investment securities (continued)

The fair value changes of investment securities are reported in equity until such investments are sold or impaired, at which time the realised gains or losses are reported in the consolidated income statement.

Investment in real estate held-for-use

Investment in real estate held-for-use, principally comprising of freehold land and buildings, are held for capital appreciation and long-term rental yields and are not occupied by the Group. Initially, investments in real estate held-for-use are measured at cost including transaction costs. Subsequent to initial recognition, investments in real estate held-for-use are stated at their fair values. Gains and losses arising from changes in the fair values of investments in real estate held-for-use are included in the consolidated statement of Owners' equity in the year in which they arise.

Investment in real estate held-for-use are de-recognised when they have either been disposed-off, or when the investments in real estate held-for-use is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on de-recognition of investments in real estate held-for-use are recognised in the consolidated income statement in the year of de-recognition.

Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or a Wakala contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment account holders and are reported off the statement of financial position of the Group.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line method to write-off the cost of property and equipment to their estimated residual values over their expected useful lives as follows:

Furniture and fixtures	5 years
Computer and office equipment	3 years
Motor vehicles	5 years

Freehold land is not depreciated as it is deemed to have an infinite life.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts at the date of disposal.

Repairs and renewals are charged to the consolidated income statement when the expenditure is incurred.

4 Significant accounting policies (continued)

Property and equipment (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down immediately to its recoverable amount.

Foreign currency transactions

Measurement and functional currency

Items included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in United States Dollar (US$ or USD or $), which is the measurement and functional currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the measurement currency 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 the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions.

Provisions

The Group recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and a reasonable estimate of the obligation can be made.

Employees' terminal benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Post-employment benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated income statement in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leave indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

4 Significant accounting policies (continued)

Revenue recognition

Income from short term investments are recognised on a time-apportioned basis over the period of the contract using the effective profit method.

Arrangement fees received on providing restricted investment services is recognised on a time apportioned basis on the term of the related restricted investment.

Income from investments (dividend income) is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

Other income relates to reversal of certain previously provided balances recognised when the amount outstanding was received.

Profit on settlement is recognised when the settlement actually occurs and right to receive money is established.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The ordinary shares are classified as equity instruments.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and current account balances with banks.

Short-term investments

Short-term investments comprises of Murabaha deposits with bank having original maturities of three months or less

5 Critical accounting judgment and key source of estimation uncertainty

Preparation of the consolidated financial statements in accordance with AAOIFI and IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

Other most significant areas requiring the use of management estimates and assumptions in these consolidated financial statements relate to:

- economic useful lives of property and equipment;
- impairment on investment securities;
- impairment of short term investments;
- going concern;
- power to exercise significant influence;
- fair valuation of investment in real estate held-for-use measurement;
- legal proceedings; and
- contingencies.

5 Critical accounting judgment and key source of estimation uncertainty (continued)

Economic useful lives of property and equipment

The Group's property and equipment are depreciated on a straight-line basis over their expected economic useful lives. Economic useful lives of property and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Impairment on investment securities

The Group determines that investment securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment and is assessed for each investment separately.

Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated to test for impairment. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

Impairment of short-term investments

FAS 30 introduces the credit losses approach with a forward-looking 'Expected Credit Loss' ("ECL") model. The new impairment model will apply to financial assets which are subject to credit risk. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

i. Determining criteria for Significant Increase in Credit Risk (SICR);
ii. Choosing appropriate models and assumptions for measurement of ECL;
iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
iv. Establishing benchmark of similar financial assets for the purposes of measuring ECL.

Going concern

The management of the Group reviews the consolidated financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Group ensure that they provide adequate financial support to fund the requirements of the Group to ensure the going concern status of the Group.

5 Critical accounting judgment and key source of estimation uncertainty (continued)

Power to exercise significant influence

Where the Group holds less than 20% of voting rights in an investment but the Group has the power to exercise significant influence, such an investment is treated as an associate. In the opposite situation where the Group holds over 20% of voting rights (but not over 50%) and the Group does not exercise significant influence, the investment is treated as an investment security. Details of investment in securities are given in Note 10. Finally, where the Group holds has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns.

Fair valuation of investment in real estate held-for-use

The Group obtains valuations performed by external valuers in order to determine the fair value of its real estate held-for-use. These valuations are based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. The level of activity in the real estate held-for-use market has been at a low level for the past few years, primarily because of the reduced availability of credit and global market conditions.

The lack of comparable market transactions has resulted in a greater level of professional judgment being relied upon in arriving at valuations. Changes in the underlying assumptions could have a significant impact on the fair values presented. Further information in relation to the valuation of real estate held-for-use is disclosed in Note 12 to these consolidated financial statements.

Legal proceedings

The Group recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the consolidated financial statements could have a material effect on the Group's consolidated financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control.

The Group reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claims or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claims or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(Expressed in US Dollars)

6 Significant events and transactions

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Group's consolidated financial statements for the year ended 31 December 2020 and are summarised as follows.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issue were noted.

No other significant impact noted by the management on other areas during the year ended 31 December 2021.

7 Cash and cash equivalents

	31 December 2021	31 December 2020
Current account balances with banks	2,724,910	11,642,388
Cash on hand	1,295	1,295
Impairment of balances held with a financial institution	(733,625)	(733,625)
	1,992,580	10,910,058

Impairment relates to balances held with a financial institution, which the management has significant doubts of recovery. However, the Group has filed a case against the financial institution to recover this amount.

8 Prepayments and other assets

	31 December 2021	31 December 2020
Wakala fees receivable *	87,461	87,461
Less: Provision on doubtful Wakala fees receivables	(87,461)	(87,461)
	-	-
Accrued profit on murabaha deposit	273	-
Prepayments and other receivables	80,970	80,370
Staff advances	3,221	1,061
	84,464	81,431

* During the year 2020, the Group settled a Wakala fees receivable, with a parent company amounting to BD1,149,700 (Note 11), which has been fully provided.

9 Short-term investments

	31 December 2021	31 December 2020
Gross commodity Murabaha	7,000,000	-

During the year ended 31 December 2021, a murabaha placement with a financial institution bears profit rates ranging from 0.0223% to 0.0510% per year and has a maturity period of less than 90 days. The profits up to 31 December 2021 amounting to US$2,666 has been accounted for in these consolidated financial statements.

(Expressed in US Dollars)

10 Investment securities

	31 December 2021	31 December 2020
Opening balance	24,142,379	8,908,208
Additions during the year (Note 11)	-	16,830,889
Foreign currency translation gains (losses) for the year	97,729	(17,633)
Unrealised fair value losses for the year	(1,592,296)	(1,579,085)
Closing balance	22,647,812	24,142,379

As of 31 December 2021, the investment securities include quoted and unquoted investments of five companies. These investments have been fair valued during the year based on the latest audited financial statements of the investee companies, indicative prices available through the secondary markets or the Kuwaiti Stock Exchange.

During 2020, as per the settlement contract dated 2 February 2020, the Group has accepted 14% as ownership interest in one of the SPVs named Excellent Opportunities For General Trading and Contracting ("the SPV"), in full and final settlement of its Wakala exposures towards the Parent Company (Note 11) amounted to BD16,830,889. The investment has been valued based on the latest available financial information of the SPV as at 31 December 2020.

Analysis of investments	31 December 2021	31 December 2020
Investment in equity-type instruments - Quoted	2,597,952	1,695,209
Investment in equity-type instruments - Unquoted	20,049,860	22,447,170
	22,647,812	24,142,379

Investment securities geographical location and currency denomination are as follows:

Country	Currency	31 December 2021	31 December 2020
Kuwait	Kuwaiti Dinars	18,345,984	17,361,173
Bahrain	Bahraini Dinars	4,301,828	6,781,206
		22,647,812	24,142,379

11 Wakala placements

Movement in impairment loss provision is as follows:

	31 December 2021	31 December 2020
Opening balance	-	42,522,047
Reversal during the year on settlement	-	(42,522,047)
Closing balance	-	-

(Expressed in US Dollars)

11 Wakala placements (continued)

Wakala settlements with the Parent Company

The Group had significant exposures with its Parent Company, which were fully provided for. The Kuwaiti Special Circuit Court of Appeal approved a restructuring plan on 2 June 2011 under the protection of the Kuwait Financial Stability Law whereby the Parent Company will settle all liabilities in 5 tranches by 30 June 2017, with profits. As per the restructuring plan, the first tranche payment amounting to US$2,518,205 was received in kind by way of a cash generating asset (right to use of a property in Kuwait) (Note 12(b)). The Group recorded the property in its books as investment in real estate held-for-use after the rights and benefits were legally transferred to the Group. There after no other tranches were received or settled until 31 December 2019.

During 2020, as per the settlement contract dated 2 February 2020, the Group has accepted 14% ownership interest, in one of the SPV named Excellent Opportunities For General Trading and Contracting ("the SPV") formed by the Parent Company by transferring certain liquid assets and a set of liabilities, against the full and final settlement of the Group's Wakala placements, Wakala fees receivables and amounts due to the Parent Company. The valuation of the SPV was made based on the SPV's net assets value as per the audited financial statements 31 December 2020. Also, the process of transferring the ownership of the SPV from Parent Company to the Group has been initiated by the Parent Company and is under process with relevant regulatory authorities as at 31 December 2021.

The detailed of the consideration received as part of settlement contract are stated below:

Assets and liabilities settled:

	Gross value	Impairment provision	Net value
Wakala placements	42,522,047	(42,522,047)	-
Wakala fees receivable (Note 8)	1,149,700	(1,149,700)	-
Amounts due to the parent company	2,125,772	-	2,125,772
Settlement consideration of 14% ownership interest in the SPV based on its net assets value as of 31 December 2019 (Note 10)			16,830,889
Gain on settlement (Note 21)			18,956,661

12 Investments in real estate held-for-use

		31 December 2021	31 December 2020
North Victoria Limited, Dubai	(a)	24,871,355	25,375,735
Gibson North Limited, Dubai	(a)	11,396,989	11,571,553
Industrial mall in Shwaikh third Area, Kuwait	(b)	8,112,583	7,639,117
		44,380,927	44,586,405

The movement in investments in real estate held-for-use during the year was as follows:

	31 December 2021	31 December 2020
Opening balance	44,586,405	45,871,083
Unrealised foreign exchange translation gains/(losses) during the year	43,002	(26,650)
Net unrealised fair value loss during the year	(248,480)	(1,258,028)
Closing balance	44,380,927	44,586,405

(Expressed in US Dollars)

12 Investments in real estate held-for-use (continued)

Investments in real estate held-for-use represent:

a) During 2012, two islands in "The World" project in Dubai were received as part of the settlement of the Murabaha placement with a related party of the Parent Company. The settlement was made by transferring the majority shareholding in two companies to the Group whose principal assets are ownership of real estate. As a result of that, the Group owns shares in the following companies:

	Ownership interest
North Victoria Limited	100%
Gibson North Limited	77.425%

The average of two valuations of these islands amounted to US$73,757,898 obtained by the counterparty as on 31 December 2012 which was higher than the value recorded on settlement. The value of the lands held by these subsidiaries, net of non-controlling interest, were restricted to the net carrying value of the Murabaha (US$35,281,113) prior to settlement i.e. debt carrying value of US$50,986,836 less impairment provision of US$15,705,723. The fair value of these assets as of 31 December 2021 was estimated to be US$36,268,344 as per the independent property valuer, "Al-Mazaiareal Estate". Accordingly, the unrealised fair value loss amounted to US$678,944 has been recognised in the consolidated statement of Owners' equity for the year ended 31 December 2021.

Embedded in the settlement contract is a put option which shall subsist and continue indefinitely in favour of the Group. This put option is eligible to be exercised resulting in the purchase of the settlement shares by the counterparty at price equivalent to settlement amount i.e. US$73,757,898. Absolute title to this real estate is held in trust by a third party, while the Group possess the original title deed along with waiver letter from third party declaring the absolute ownership to the Group.

b) A cash generating asset (right to use of a property in Kuwait) was received from the Parent Company for the settlement of its overdue first tranche due on 30 June 2013 (Note 11). The fair value of the asset at the date of settlement amounting to US$7,389,163 has been recorded in the books. The management has classified this investment in real estate as held-for-use. The investment properties were valued by "Afaq International Real Estate Co." and "Al Jal Real Estate", independent property valuers as at 31 December 2021 at open market values, which reflected the total average value as at 31 December 2021 amounting to US$8,112,583 (2020: US$7,639,117).

13 Right-of-use asset

	31 December 2021	31 December 2020
Recognition of right-of-use assets on initial application of FAS 32 (Note 4)	225,824	-
Amortisation charge for the year (Note 23)	(60,220)	-
Closing balance	165,604	-

(Expressed in US Dollars)

14 Property and equipment

	Freehold land	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
Cost					
At 31 December 2019	17,152,390	130,524	397,276	103,448	17,783,638
Additions	-	1,187	6,380	-	7,567
At 31 December 2020	17,152,390	131,711	403,656	103,448	17,791,205
Additions	-	-	3,134	-	3,134
At 31 December 2021	17,152,390	131,711	406,790	103,448	17,794,339
Accumulated depreciation and impairment					
At 31 December 2019	-	130,524	395,479	63,794	589,797
Charge for the year (Note 23)	-	119	1,806	20,690	22,615
Impairment loss for the year	3,653,716	-	-	-	3,653,716
At 31 December 2020	3,653,716	130,643	397,285	84,484	4,266,128
Charge for the year (Note 23)	-	240	3,625	18,964	22,829
At 31 December 2021	3,653,716	130,883	400,910	103,448	4,288,957
Net book amount					
At 31 December 2021	13,498,674	828	5,880	-	13,505,382
At 31 December 2020	13,498,674	1,068	6,371	18,964	13,525,077

The management intends to build the Group's headquarter on the land which was recorded at fair value of US$13,498,674 in the year it was transferred to the Group.

The freehold land was valued by an independent property valuer as of 31 December 2020, which reflected a fair value amounted to US$13,498,674. Accordingly, the management has recognised an impairment loss amounting to US$3,653,716 as of 31 December 2020.

The Group operates from premises leased at a monthly rental of US$5,491 (2020: US$5,491).

15 Net ijara liability

	31 December 2021	31 December 2020
Maturity analysis — Gross Ijarah liability:		
Less than one year	65,892	-
More than one year	115,311	-
Total gross Ijarah liability	181,203	-

	31 December 2021	31 December 2020
Maturity analysis — Net Ijarah liability:		
Less than one year	59,023	-
More than one year	110,650	-
Total net Ijarah liability	169,673	-

(Expressed in US Dollars)

16 Accruals and other payables

	31 December 2021	31 December 2020
Employee accruals	600,265	546,843
Accounts payable and other accruals	66,698	101,812
	666,963	648,655

17 Share capital

	31 December 2021	31 December 2020
Authorised		
1 Billion (2020: 1 Billion) shares of US$1 each	1,000,000,000	1,000,000,000
Issued and fully paid-up		
200 million (2020: 200 million) shares of US$1 each	200,000,000	200,000,000

Additional information on shareholding pattern **

The names and nationalities of the major shareholders, holding shareholding interest of 5% or more and the number of shares are as follows:

		As at 31 December 2021	
	Nationality	Number of shares	Percentage of shareholding interest
Dar Investment Company *	Kuwaiti	62,000,000	31%
The Investment Dar Holding Company K.S.C.	Kuwaiti	50,000,000	25%
Adam Capital Holding Co. K.S.C. (c) *	Kuwaiti	46,000,000	23%
Adeem Investment & Wealth Management Company	Kuwaiti	26,000,000	13%
Others	Bahraini	16,000,000	8%
		200,000,000	100%

		As at 31 December 2020	
	Nationality	Number of shares	Percentage of Shareholding Interest
Dar Investment Company *	Kuwaiti	62,000,000	31%
The Investment Dar Holding Company K.S.C.	Kuwaiti	50,000,000	25%
Adam Capital Holding Co. K.S.C. (c) *	Kuwaiti	46,000,000	23%
Adeem Investment & Wealth Management Company	Kuwaiti	26,000,000	13%
Others	Bahraini	16,000,000	8%
		200,000,000	100%

* The Investment Dar Company K.S.C. owns the majority of the shares in these companies and hence is considered to be the Ultimate Parent Company of the Group.

** The shareholding pattern of the Company as per MOICT records in sijilat is different as compared to the Company's register. The management is currently in the process of updating the records in the sijilath.

(Expressed in US Dollars)

18 Reserves

(i) Statutory reserve

As per the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the share capital is set aside. The Group has not transferred any amount during the year to the statutory reserve, as the Group has incurred net losses for the year (2020: US$1,348,713). The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law.

(ii) Investments fair value reserve

The revaluation reserve represents the net surplus arising on revaluation of investment securities (Note 10). This reserve is not available for distribution.

(iii) Unrealised foreign currency translation reserve on net investment in foreign operation

Unrealised foreign currency translation reserve on net investment in foreign operation represents unrealised translation gains or losses on net investment in foreign operations. This reserve is not available for distribution.

(iv) Foreign currency translation reserve

Foreign currency translation reserve represents foreign currency translation on investment securities. This reserve is not available for distribution.

19 Non-controlling interest

	31 December 2021	31 December 2020
Share of investment property in Gibson North Limited	2,572,870	2,612,278

Summarised financial information in relation to the non-controlling interest ("NCI") in a subsidiary, before intra-group eliminations, is presented below:

	Non-controlling interests	
	31 December 2021	31 December 2020
ASSETS		
Non-current assets		
Investment properties	2,572,870	2,612,278
EQUITY		
Share capital	3,547	3,547
Retained earnings	2,569,323	2,608,731
Total equity	2,572,870	2,612,278

20 Restricted investment accounts

	31 December 2021	31 December 2020
Restricted investment accounts	477,307,508	477,307,508

Wakala investments represent amounts received from the investors under Wakala contracts where the Company acts as a Wakil (agent) and are in turn placed investments with the Parent Company and other entities on a Wakala basis.

(Expressed in US Dollars)

20 Restricted investment accounts (continued)

During the year ended 31 December 2013, the Company terminated Wakala (agency) contracts with certain corporate Wakala clients amounting to US$132,337,041. Consequently, the Company has been released from the responsibility and the clients have a direct relationship with the Parent Company. All contracts pertaining to individual restricted investors and certain corporate Wakala clients have been paid by the Parent Company. Accordingly, the Company has been provided with release letters from those clients. US$453,906,872 is Wakala investments placed with the Parent Company and US$23,400,636 is placed with other party.

Also refer the settlement plan detailed in Note 29 (3).

21 Other income

	Year ended 31 December 2021	Year ended 31 December 2020
Rental income	519,867	264,109
Liabilities no longer payable written back	3,313	-
Profit on short term investments	2,666	59,892
Gain on settlement (Note 11)	-	18,956,661
Government grants received	-	144,500
Miscellaneous income	6,555	3,743
	532,401	19,428,905

22 Staff costs

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and benefits	1,499,922	1,342,904
Social insurance expenses	74,199	70,255
	1,574,121	1,413,159

23 Other operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
General and administration expenses	334,774	316,813
Board expenses	314,880	284,655
Professional fees and expenses	177,766	211,693
Amortisation expense on right-of-use assets (Note 13)	60,220	-
Interest expense on net ijara liability	9,741	-
Office rent	-	65,889
Depreciation (Note 14)	22,829	22,615
Staff travel expenses	-	743
	920,210	902,408

(Expressed in US Dollars)

24 Related party transactions and balances

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 the shareholder, key management personnel and their close family members and such other companies over which the Group or its shareholder, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management.

A significant portion of the Group's income is from Wakala and Murabaha placements, agency fees or wakala fees on providing restrictive investment services are from Parent Company and entities over which the Group exercises significant influence. Although these entities are considered related parties, these transactions are conducted on an arm's length basis at commercial terms and conditions.

A summary of the related party balances is as follows:

	31 December 2021	31 December 2020
Restricted investment accounts		
Wakala deposits with Parent Company and entities related to the Parent Company	453,906,872	453,906,872

Key management personnel of the Group comprise 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 is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Board sittings and board committee sitting fees	305,040	263,925
Salaries and other short-term benefits	410,796	374,950

25 Zakah

The liability towards Zakah is directly borne by the shareholders on distributed profits. The Group does not collect or pay Zakah on behalf of its shareholders.

26 Earnings prohibited by Shari'a

The Group is committed not to recognise any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account from which, the Group uses funds for charitable purposes. During the year, there were no earnings from non-Islamic transactions that are prohibited by Shari'a (2020: US$Nil).

27 Shari'a Supervisory Board

The Group's Shari'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

(Expressed in US Dollars)

28 Earnings per share

	Year ended 31 December 2021	Year ended 31 December 2020
Net (loss)/profit for the year	(1,961,930)	13,459,622
Weighted average number of shares outstanding	200,000,000	200,000,000
(Loss)/Earning per share (in US$ cents)	(0.98)	6.73

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

29 Going concern

1. *Exposure to the Parent Company and related parties of the Group*

The Group has significant exposures with its Parent Company, which has been fully provided has been settled during the year as at 31 December 2020 in exchange of Shares in a newly established SPV by the Parent Company, as per the settlement contract dated 2 February 2020 (Note 11). The implementation of the restructuring plan has further improved the ability to repay its creditors.

2. *Legal cases relating to off-financial position - Restricted investment accounts*

In previous years, the Group accepted from investors under a restricted Wakala (agency) investment contracts and has in turn placed these Wakala investments with its Parent Company and others. As at 31 December 2021, US$477,307,508 (31 December 2020: US$477,307,508) of the restricted investment accounts on Wakala contracts due to institutions was overdue. Under the terms of the Parent Company restructuring plan approved by the Kuwaiti Special Circuit Court of Appeal on 2 June 2011 under the protection of the Kuwait Financial Stability Law, all Wakala contracts relating to individuals and non-regulated companies have been paid by 31 December 2012 and the repayment of remaining Wakala contracts have been scheduled to be repaid over five tranches by 30 June 2017. The Parent Company settled debts amounting to US$31,768,663 during the year 2013. Management has obtained more than one legal opinion which concludes that there is no legal obligation to sell directly any assets owned by the Group in order to meet the Parent Company's commitment. The amount is already disclosed in the consolidated financial statements as an off-balance sheet due to the fact that the amounts are not yet settled by the Parent Company.

3. *Settlement plan - Restricted investment accounts and wakala placements*

During 2019, the Parent Company transferred certain liquid assets and a set of liabilities to five different SPVs' in order to settle the individual creditors. IDB was offered 14% in one of the SPVs as a full and final settlement of its exposures with Parent Company (Note 11). The consideration was agreed based on the valuation prepared by the Parent Company which has resulted in a haircut of approximately 50% of the outstanding balances. IDB accepted the offer and currently the Parent Company are in the process of transferring the shares as per settlement contract dated 2 February 2020, whereas the share transfer process for other creditors be initiating by the Parent Company upon the acceptance of the offer by all the other creditors.

29 Going concern (continued)

4. *Share capital*

The Group has accumulated losses of US$109,098,919 resulting in significant erosion of share capital of the Company as at 31 December 2021. On 21 March 2019, the shareholders' of the Company in their Extra Ordinary General Meeting ("EGM") resolved to convert the Company's license type to an "Investment Company - category one" and concede its "Wholesale bank license" and notified CBB for approval. Further, the Extra Ordinary General meeting of the shareholders held on 21 March 2019 approved the absorption of the accumulated losses of US$70,000,000 against the share capital which will result reduction in accumulated losses on conversion of license. The Group has completed the application procedure with the CBB for an "Investment company - category one" and got a license on 1 October 2020.

5. *Conclusion*

These factors raise doubt about the Group's ability to continue to operate as a going concern. However, in light of the aforementioned developments, and Group has no obligation to sell directly any assets owned by the Group or liquidate the Company in order to meet the Parent Company's liabilities. The Board of directors are studying alternative plans of investments and have no intention to liquidate the Company and continue operate as a going concern business. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

30 Financial assets, liabilities and risk management

The principal risks associated with the Group's business are credit risk, market risk (which comprises equity price risk, profit rate risk and currency risk), liquidity risk and operational risk. The Group has a comprehensive risk management framework in place for managing these risks, which is constantly evolving as the business activities change in response to credit, market, product and other developments.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The principal risks associated with the Group's business and the related risk management processes are commented on as follows:

(Expressed in US Dollars)

30 Financial assets, liabilities and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Wakala and Murabaha placements and certain other assets.

The Group has put in place policies and procedures for managing credit risks to ensure that risks are accurately assessed, properly approved and regularly monitored. Formal credit limits are applied at counterparty and single obligor level. Overall exposures, including large exposures, are evaluated on a monthly basis to ensure a broad diversification of risk by counterparties and concentration limits by geography and industry.

The carrying amount of financial assets as at 31 December 2021 represents the maximum credit exposure.

Concentration of assets, liabilities, unrestricted and restricted investment accounts

a) Industry sector

				31 December 2021
	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and cash equivalents	1,992,580	-	-	1,992,580
Short-term investments	7,000,000	-	-	7,000,000
Investment securities	231,476	22,416,336	-	22,647,812
Total assets	9,224,056	22,416,336	-	31,640,392
Liabilities				
Accruals and other liabilities	-	-	836,636	836,636
Restricted investment accounts				
Others	477,307,508	-	-	477,307,508

				31 December 2020
	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and cash equivalents	10,910,058	-	-	10,910,058
Investment securities	236,265	23,906,114	-	24,142,379
Total assets	11,146,323	23,906,114	-	35,052,437
Liabilities				
Accruals and other liabilities	-	-	648,655	648,655
Restricted investment accounts				
Others	477,307,508	-	-	477,307,508

(Expressed in US Dollars)

30 Financial assets, liabilities and risk management (continued)

Credit risk (continued)

Concentration of assets, liabilities, unrestricted and restricted investment accounts (continued)

b) Geographic region

			31 December 2021	
	Bahrain	Other GCC countries	Europe	Total
Assets				
Cash and cash equivalents	382,581	1,515,491	94,508	1,992,580
Short-term investments	-	-	7,000,000	7,000,000
Investment securities	4,301,828	18,345,984	-	22,647,812
Total assets	4,684,409	19,861,475	7,094,508	31,640,392
Liabilities				
Accruals and other liabilities	802,387	34,249	-	836,636
Restricted investment accounts				
Others	-	477,307,508	-	477,307,508

			31 December 2020	
	Bahrain	Other GCC countries	Europe	Total
Assets				
Cash and cash equivalents	555,152	1,253,311	9,101,595	10,910,058
Investment securities	6,781,206	17,361,173	-	24,142,379
Total assets	7,336,358	18,614,484	9,101,595	35,052,437
Liabilities				
Accruals and other liabilities	591,197	57,458	-	648,655
Restricted investment accounts				
Others	-	477,307,508	-	477,307,508

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group uses a maturity ladder approach for managing and monitoring the liquidity risk. It is the Group's policy to keep a significant part of its assets in highly liquid assets such as short-term investments.

The following table discloses undiscounted residual contractual maturities of the Group's assets and liabilities except in case of investments in unquoted equity securities, equipment and certain other assets and other liabilities, which are based on management's estimate of realisation.

30 Financial assets, liabilities and risk management (continued)

Liquidity risk (continued)

	Gross undiscounted cash flows as on 31 December 2021 (in US$ '000)						
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	over 3 years	Overdue	Total
Assets							
Cash and cash equivalents	1,992	-	-	-	-	-	1,992
Short term investments	7,000	-	-	-	-	-	7,000
Other assets / net of prepayments	-	-	-	-	-	4	4
Investment securities	-	-	-	-	22,647	-	22,647
Total assets	8,992	-	-	-	22,647	4	31,643
Liabilities							
Accruals and other liabilities	-	-	-	836	-	-	836
Net liquidity gap	8,992	-	-	(836)	22,647	4	30,807
Restricted investment accounts							
Others	-	-	-	-	453,907	23,401	477,308

	Gross undiscounted cash flows as on 31 December 2020 (in US$ '000)						
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	over 3 Years	Overdue	Total
Assets							
Cash and cash equivalents	10,910	-	-	-	-	-	10,910
Other assets / net of prepayments	-	-	-	-	-	3	3
Investment securities	-	-	-	-	24,142	-	24,142
Total assets	10,910	-	-	-	24,142	3	35,055
Liabilities							
Accruals and other liabilities	-	-	-	649	-	-	649
Net liquidity gap	10,910	-	-	(649)	24,142	3	34,406
Restricted investment accounts							
Others	-	-	-	-	453,907	23,401	477,308

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is assessment of the net funding requirements. For this purpose liquid assets include cash and cash equivalents, Wakala placements and short term investments. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's regulator, Central Bank of Bahrain.

(Expressed in US Dollars)

30 Financial assets, liabilities and risk management (continued)

Management of liquidity risk

The Board of Directors approves significant policies and strategies related to the management of liquidity. The Management reviews the liquidity profile of the Group on a regular basis and any material change in the Group's current or prospective liquidity position is notified to the Board.

The Board sets limits and guidelines and monitors the risk and liquidity profile of the Group on a regular basis.

The day-to-day management of the Group's liquidity is the responsibility of the Executive Management team. Executive Management team ensures that adequate funds are available to meet the maturing obligations and growth in assets while cost is minimised. It also ensures that all limits and guidelines set by the Board are complied with and any adverse development is reported to the Board. Executive Management team also obtains the required exceptional approvals when required as per this policy and manages the relationship with other Companies and financial institutions.

The Board on an ongoing basis reviews the limits set and ensures that the concerned department is complying with all limits set as per this policy. Management team ensures that any adverse development is reported to the people concerned. Whenever exception approvals are required, it is first subject to the review and initial approval of the Executive Management team.

Market Risk

Market risk is the risk that changes in market factors, such as profit rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The different types of risks with exposures, objectives, policies and processes to manage the risk have been detailed hereunder.

Profit rate risk

Profit rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's significant financial assets and liabilities sensitive to profit rate are short term investments with a bank. The Group's exposure to profit rate risk is limited due to the relatively short-term nature of these financial assets and liabilities. Average profit rate on short term investments during the year fixed at 0.04% (2020: 0.33%).

Currency risk

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

The Group primarily deals in two currencies, namely Bahraini Dinars and Kuwaiti Dinars.

The Group has adopted the United States Dollars as its functional currency. In the opinion of the Group's management, the currency risk for any position held in Bahraini Dinar is insignificant since it is pegged to the US dollar.

Sensitivity analysis

Currency	Change in currency rate	Effect on profit 2021 US$	Effect on equity 2021 US$	Effect on profit 2020 US$	Effect on equity 2020 US$
KWD	+/-20%	100,899	100,899	85,542	85,542

30 Financial assets, liabilities and risk management (continued)

Sensitivity analysis (continued)

The tables above indicate the currencies to which the Group had significant exposure at 31 December 2021 on all its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US Dollar, with all other variables held constant, on the consolidated income statement. The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances. In addition the Group is committed to recruitment in addition to training of staff.

Capital management

The Group's regulator Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements CBB requires the Group to maintain a minimum regulatory capital requirements. The Group's policy is to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

31 Fair value hierarchy

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

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. For Investments in real estate held-for-use, fair value is estimated by independent real estate valuer. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(Expressed in US Dollars)

31 Fair value hierarchy (continued)

The following table shows an analysis of financial instruments and long dated financials assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 December 2021 and 31 December 2020:

Investments designated at fair value through statement of income	Level 1	Level 2	Level 3	Total
For the year ended 31 December 2021				
Investment securities				
Quoted	2,597,952	-	-	2,597,952
Unquoted Securities	-	20,049,860	-	20,049,860
Investment in real estate held-for-use	-	44,380,927	-	44,380,927
	2,597,952	64,430,787	-	67,028,739
For the year ended 31 December 2020				
Investment securities				
Quoted	1,695,209	-	-	1,695,209
Unquoted Securities	-	22,447,170	-	22,447,170
Investment in real estate held-for-use	-	44,586,405	-	44,586,405
	1,695,209	67,033,575	-	68,728,784

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2021 and 2020 there were no transfers between Level 1 and Level 2, and no transfers into or out of level 3.

32 Subsequent events

There were no significant events subsequent to 31 December 2021 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.

APPENDIX I

The Group prepares its consolidated financial statements in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as the Company has been licensed by the CBB as an Investment Business Firm - Category 1.

For comparative purposes, the Group has presented its consolidated statement of financial position and consolidated statement of comprehensive income as if it were prepared under International Financial Reporting Standards.

The following comparative differences are reported:

Terminology differences

FAS	IFRS
Wakala placements	Placement with financial institutions
Short term investments	Placement with financial institutions
Investment securities	Financial assets at fair value through other comprehensive income
Investment in real estate held-for-use	Investment properties
Net ijara liability	Lease liability

Restricted Investment Accounts

These represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or a Wakala contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment account holders. The restricted investment accounts concept does not exist under IFRS.

Revaluation of investment in real estate held-for-use

Under FAS, gains and losses arising from changes in the fair values of investments in real estate held-for-use are included in "the consolidated statement of changes in Owners' equity" in the year in which they arise. Under IFRS, gains and losses arising from changes in the fair values of investments property are included in "the consolidated statement of profit or loss" in the year in which they arise.

(Expressed in US Dollars)

APPENDIX I (continued)

The consolidated statement of financial position is presented below under both FAS and IFRS:

Financial Accounting Standards (FAS)	31 December 2021	International Financial Reporting Standards (IFRS)	31 December 2021
ASSETS		**ASSETS**	
Cash and cash equivalents	1,992,580	Cash and cash equivalents	1,992,580
Prepayments and other assets	84,464	Prepayments and other assets	84,464
Short-term investments	7,000,000	Short-term investments	7,000,000
Investment securities	22,647,812	Financial assets at fair value through other comprehensive Income	22,647,812
Investment in real estate held-for-use	44,380,927	Investment property	44,380,927
Right-of-use asset	165,604	Right-of-use asset	165,604
Property and equipment	13,505,382	Property and equipment	13,505,382
Total assets	89,776,769	Total assets	89,776,769
EQUITY AND LIABILITIES		**EQUITY AND LIABILITIES**	
Liabilities		**Liabilities**	
Net ijara liability	169,673	Lease liability	169,673
Accruals and other payables	666,963	Accruals and other payables	666,963
Total liabilities	836,636	Total liabilities	836,636
Equity		**Equity**	
Share capital	200,000,000	Share capital	200,000,000
Statutory reserve	3,035,339	Statutory reserve	3,035,339
Property fair value reserve	(343,301)	Property fair value reserve	-
Fair value reserve	(6,393,311)	Fair value reserve	(6,736,612)
Unrealised translation losses on net investment in foreign operations	(575,691)	Unrealised translation losses on net investment in foreign operations	(575,691)
Foreign currency translation reserve	(256,854)	Foreign currency translation reserve	(256,854)
Accumulated losses	(109,098,919)	Accumulated losses	(109,098,919)
	86,367,263		86,367,263
Non-controlling interest	2,572,870	Non-controlling interest	2,572,870
	88,940,133		88,940,133
Total liabilities and equity	89,776,769	Total liabilities and equity	89,776,769

(Expressed in US Dollars)

APPENDIX I (continued)

The consolidated income statement is presented below under both FAS and IFRS:

Financial Accounting Standards	31 December 2021	International Financial Reporting Standards	31 December 2021
Income		**Income**	
Other income	532,401	Other income	532,401
Expenses		**Expenses**	
Staff costs	(1,574,121)	Staff costs	(1,574,121)
Other operating expenses	(920,210)	Other operating expenses	(920,210)
Total expenses	(2,494,331)	**Total expenses**	(2,494,331)
Net loss for the year	(1,961,930)	**Net loss for the year**	(1,961,930)
Basic and diluted loss per share (in US cents)	(0.98)	**Basic and diluted loss per share (in US cents)**	(0.98)

There is no concept of other comprehensive income under FAS. If the Group's consolidated financial statements were prepared under IFRS, the statement of other comprehensive income will be as follows:

IFRS

	31 December 2021
Net loss for the year	(2,171,002)
Other comprehensive income for the year	
Foreign currency translation loss	99,101
Unrealised foreign currency translation gain on net investment in foreign operations	47,043
Unrealised fair value loss on financial assets at FVTOCI	(1,592,296)
Other comprehensive losses for the year	(1,446,152)
Total comprehensive losses for the year	(3,617,154)