

INOVEST B.S.C.

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

31 DECEMBER 2022

Inovest B.S.C.

Administration and contact details as at 31 December 2022

Commercial registration number

48848 obtained on 18 June 2002

Board of Directors

Mohammad Hamed Al-Shalfan

- Chairman

Mohammad Salah Al-Ayoub

- Vice-Chairman

Abdulaziz Asaad Al-Sanad

- Director

Mohamed Abdulwahab Al Matook

- Director

Abdullah Mohammed Al-Abduljader

- Director

Dr. Abdulaziz Fahad Al Dakheel

- Director

Ausama Abdulrahim Al-Khaja

- Director

Chief Executive Officer

Yaser Hamad Al-Jar

Board Secretary

Riyadh Mahmood Mulla Ahmed

Sharia'a Supervisory Board

Sheikh Dr. Hamad Yusuf Al Mazrouie

- Chairman

Sheikh Dr. Abdulrahman Mohammed Al Balool

- Vice Chairman

Dr. Mohammed Abdulrahman Al Shurafa

- Member

Nomination and Remuneration Committee members

Mohammed Abdulwahab Al Matook

- Chairman

Abdullah Mohammed Al-Abduljader

- Vice-Chairman

Mohammad Hamed Al-Shalfan

- Member

Corporate Governance, Audit and Risk Committee members

Ausama Abdulrahim Al-Khaja

- Chairman

Mohammad Salah Al-Ayoub

- Vice-Chairman

Abdullah Mohammed Al-Abduljader

- Member

Registered head office

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

Bankers

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

Auditors

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

Share registrars

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

Kuwait Clearing Company S.A.K.
P.O. Box 22077
Safat 13081
State of Kuwait

In the name of Allah, The Beneficent, The Merciful
Sharia Supervisory Board Report on the activities of INOVEST Company B.S.C
For the Twelve Months Period Ended 31 December 2022.

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

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

Acting as Sharia Supervisory Board "SSB" pursuant to the appointment resolution passed by the General Assembly of the Company and SSB meeting on Monday 27th Feb. 2023 in State of Kuwait, we are required to provide the following report:

The SSB has reviewed the Company's principles, contracts related transactions, and applications submitted by the Company's management for the twelve months period ended 31 December 2022, and based on the Sharia auditor presentation of the Company's activities for the abovementioned period, and comparing it with the fatwa and rulings issued.

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

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

In our opinion:

The contracts and transactions concluded by the Company during the Twelve Months Period Ended 31 December 2022 that we have reviewed are in compliance with the Islamic Shari'a Rules and Principles.

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

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

Dr. Hamad Yusuf AlMazrouie
Chairman



Dr. Abdulrahman Mohamad Al-Baloul
Vice Chairman



Dr. Mohamad Abdulrahman AlShurafa
Member



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Chairman's Report For the year ended, 31st December 2022

In the name of Allah, Most Gracious, Most Merciful

On behalf of myself and the members of the Board of Directors, I am pleased to present the Group annual report for the financial year ended on 31st of December 2022.

Overall Group Performance

Across the globe as financial institutions began 2022 rebounding from a global pandemic whilst still dealing with some of the lingering long-term effects of COVID 19; a series of geopolitical and macro-economic factors came into play impacting assumptions for the year to come at both national and corporate levels, from rising inflation and interest rates to supply chain disruptions, and on a wider global scale, even war. Though the consequences differ across regions, the factors still translated into new parameters that nations, financial institutions, and companies across the board have had to contend with. INOVEST is no exception to this. Accordingly, for us, 2022 marked a year in which we evaluated the standing of our strategic cycle vis a vis such factors, as well as a year in which we continued to solidify our Group standing, bringing key subsidiaries into a closer rein operationally and administratively allowing us to strengthen our overall position and prepare for new cycles of growth and development.

As a group, we are pleased to close the 2022 fiscal year on a positive note; showing a consolidated net profit attributable to parent shareholders of US\$ 923 thousand, compared to a profit of US\$ 746 thousand for the same period last year, an increase of 24%. The Group accordingly reported that Basic and Diluted Earnings Per Share of the parent company as of December 31st 2022 amounted to US cents 0.31 as compared to Earnings of US cents 0.25 in 2021. This increase is the outcome of a significant improvement in the operating profits within the Group's construction arm, and in the performance of its real estate investments. The consolidated net operating loss declined by 94% to reach US\$ 195 thousand in comparison to a loss of US\$ 3.34 million for the same period in 2021 due in large to an increase in revenues in the Group's construction and the real estate investments. Operating expenses saw a minor drop, by 1% as a result of stringent controls. The total operating income for the year ended December 31st, 2022, stood at US\$ 8.67 million, a 56% increase from the US\$ 5.57 million recorded in 2021.

Much of the improvements in 2022 stems from INOVEST hitting several of its planned milestones. The year saw the first steps towards the reactivation of Al Khaleej Development Company "Tameer" as the Group's real estate development arm. Significant strides were taken to enable Tameer to strengthen its presence in the real estate sector and to manage and expand an assorted portfolio of real estate assets. It is expected that we will see the fruits of this strategic move in the year to come. In a related manner, Tamcon Contracting, the Group's construction arm, has begun works on several of its winning bids for substantial new developments. BIW Labour Accommodations has seen significant improvement in its occupancy as a result of an uptake in the contracting sector fueled by developments in both public and private development projects. In terms of a previously disclosed agreement for the development of Dannat Resort in the Kingdom of Saudi Arabia, the year saw the inclusion of value-added revisions to the masterplan as well as the appointment of service providers for superstructure and infrastructure development. As for our investments in other sectors, INOVEST is pleased to continue to see an upward trajectory in its Kuwait based investment, Advanced Projects Group Holding WLL, which is the only specialized regional manufacturer of Wood Plastic Composite (WPC) products. The investment has seen expansions into a new 13,000 square foot plant in Kuwait as well as the lease of approximately 60,000 square feet for a facility in the Kingdom of Saudi Arabia. Expectations are for the team to mobilize manufacturing within both new locations in 2023.

Future Outlook

INOVEST is dedicated to underpinning improvements in our short-term resilience as a Group with longer term expansions in the areas of innovation and growth. We remain focused on the principles of resilience, reorganization, and renewal as the foundation for our current strategic cycle at a Group wide level. This we know is inseparable from measures of sustainability, on the financial side, but also the social, governance and environmental fronts. To bolster this, we will seek to create and enhance solid ESG guidelines that integrate into the fiber of work at INOVEST, and simultaneously assist us in realizing greater returns to our stakeholders.

INOVEST.

In Closing

In my capacity as Chairman of INOVEST, and on behalf of my colleagues the members of the Board of Directors, we take this opportunity to extend our appreciation and thanks to our shareholders, investors, and partners for their ongoing support. Additionally, we extend our thanks to the Central Bank of Bahrain and Ministry of Industry and Commerce for their consistent support. We would also like to acknowledge the executive team and all our staff members within the Group who have continued to deliver with the utmost dedication and diligence. We pray to Almighty Allah to protect the Kingdom of Bahrain under the wise leadership of His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa and ask Almighty Allah to guide and support us and pave our way to achieving continued success.

As part of the Group's commitment to maintaining transparency with our esteemed shareholders, we enclose below the Board of Directors and executive management's remuneration for the year ended December 31st, 2022.

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	Others*	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total			
First: Independent Directors:											
1- Mohammad Al-Shalfan	18,000	8,068	-	26,068	-	-	-	-	-	26,068	-
2-Mohamed Al Matook	2,000	6,550	-	8,550	-	-	-	-	-	8,550	-
3- Abdulla Al- Abduljader	2,000	8,350	-	10,350	-	-	-	-	-	10,350	-
4- Ausama Al Khaja	2,000	4,950	-	6,950	-	-	-	-	-	6,950	-
Second: Non-Executive Directors:											
Third: Executive Directors:											
1-Mohammad Al-Ayoub	2,000	9,040	-	11,040	-	-	-	-	-	11,040	-
2-Abdulaziz Al Sanad	2,000	8,590	-	10,590	-	-	-	-	-	10,590	-
3-Dr. Abdulaziz Al Dakheel	2,000	7,900	36,000	45,900	-	-	-	-	-	45,900	-
Total	30,000	53,448	36,000	119,448	-	-	-	-	-	119,448	-
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).											

INOVEST.

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**	315,597	-	-	-

Note: All amounts must be stated in Bahraini Dinars.

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

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

On behalf of the Board of Directors,



Mohammed Hamed Al Shalfan
Chairman

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Inovert B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the related consolidated statements of income, cash flows, changes in owners' equity, and sources and uses of charity fund for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and the consolidated results of the operations, its cash flows, changes in owners' equity and sources and uses of charity fund for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

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

Key audit matters (continued)

1. Allowance for expected credit losses	
Refer to notes 3, 4 & 6	
Key audit matter / risk	How the key audit matter was addressed in the audit
<p>The Group's gross receivables as of 31 December 2022 amounts to US\$ 43.79 million and the related allowance for expected credit losses amounts to US\$ 23.16 million.</p> <p>The Group applied the simplified approach to measuring Expected Credit Losses (ECL) on receivables as allowed by FAS 30. The determination of the ECL allowance for receivables involves estimates and assumptions in relation to loss rates based on past history of defaults, existing market conditions, segmentation of customers based on credit characteristics as well as forward looking estimates.</p> <p>Due to the significance of receivables and subjectivity involved in the determination of ECL, this is considered as a key audit matter.</p>	<p>Our audit procedures included, among others:</p> <p>Testing the accuracy of ageing of receivables.</p> <p>Assessing the appropriateness of segmentation of receivables of customers based on credit characteristics.</p> <p>Assessing the Group's ECL allowance process including reasonableness of the inputs used.</p> <p>Assessing the adequacy of the disclosures in relation to receivables and allowance for ECL.</p>

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

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

Key audit matters (continued)

2. Valuation of Investments	
Refer to notes 3, 4, 7, 8 & 9	
Key audit matter / risk	How the key audit matter was addressed in the audit
<p>The Groups investments comprise of:</p> <ul style="list-style-type: none"> i) Equity-type instruments at fair value through equity ("FVTE"); ii) Investments in real estate; and iii) Investment in joint venture and associates <p>The above investments represent 79% of the Group's total assets. The valuation of investments involves complex accounting requirements, including assumptions, estimates and judgements underlying the determination of fair values, which increases the level of judgement required by the Group in calculating the fair values, and the associated audit risk.</p>	<p>Our audit procedures included, among others, the following:</p> <p>Understanding the process of valuations of investments for the purpose of assessing changes in fair value of investments or impairment assessment.</p> <p>Obtaining independent external valuation reports and assessing the appropriateness of the valuation methods and assumptions taken by the valuers.</p> <p>We assessed the adequacy of the Group's disclosures in relation to these investments by reference to the requirements of the relevant accounting standards.</p>

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

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

Other information included in the Group's 2022 Board of Director's Report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Group's Board of Directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
- c) except for what has been reported in note 1 to the consolidated financial statements, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, or the terms of the Company's memorandum and articles of association having occurred during the year ended 31 December 2022 that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



Auditor's Registration No: 45
28 February 2023
Manama, Kingdom of Bahrain

INOVEST B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 US\$ '000	2021 US\$ '000
ASSETS			
Cash and bank balances	5	17,819	26,376
Accounts receivable	6	20,626	20,411
Investments	7	14,788	12,964
Investment in joint ventures and associates	8	93,908	95,048
Investments in real estate	9	82,045	79,524
Property, plant and equipment	10	10,009	8,361
Right of use asset	11	155	264
Other assets	12	977	531
TOTAL ASSETS		240,327	243,479
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	13	66,990	69,123
Ijarah liability	14	167	274
Financing from a bank	15	3,912	5,757
Total liabilities		71,069	75,154
Owners' Equity			
Share capital	16	120,334	120,334
Less: Treasury shares	16 & 18	(1,309)	(1,309)
		119,025	119,025
Reserves	17	6,782	6,864
Retained earnings		18,029	17,198
Equity attributable to Parent's shareholders		143,836	143,087
Non-controlling interests		25,422	25,238
Total owners' equity		169,258	168,325
TOTAL LIABILITIES AND OWNERS' EQUITY		240,327	243,479



Mohamed Hamed Al-Shalfan
Chairman



Mohamed Salah Al-Ayoub
Vice Chairman



Yaser Hamad Al-Jar
Chief Executive Officer

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

INOVEST B.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Note	2022 US\$ '000	2021 US\$ '000
OPERATING INCOME			
Net income from construction contracts	19	873	410
Income from investment in real estate	20	4,387	3,140
Income / (loss) from investments	21	65	(24)
Fee from management and other services	22	3,146	1,121
Share of net loss from investment in joint ventures and associates	8	(1,015)	(223)
Other income	23	1,214	1,144
TOTAL OPERATING INCOME		8,670	5,568
OPERATING EXPENSES			
Staff costs	24	3,944	4,023
General and administrative expenses	25	2,249	2,384
Property related expenses		1,839	1,352
Depreciation	10	380	728
Financing costs		330	350
Net Ijarah cost	26	123	75
TOTAL OPERATING EXPENSES		8,865	8,912
NET OPERATING LOSS		(195)	(3,344)
Net reversal of provision for expected credit loss	5 & 6	35	414
Net movement in provision for case compensation	13	1,267	3,807
PROFIT FOR THE YEAR		1,107	877
Attributable to :			
Equity shareholders of the Parent		923	746
Non-controlling interests		184	131
		1,107	877
BASIC AND DILUTED EARNINGS			
PER SHARE (US\$ cents)	27	0.31	0.25



Mohamed Hamed Al-Shalfan
Chairman



Mohamed Salah Al-Ayoub
Vice Chairman



Yaser Hamad Al-Jar
Chief Executive Officer

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

INOVEST B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2022

	<i>Equity attributable to Parent's shareholders</i>							<i>Total owners' equity</i> US\$ '000	
	<i>Share capital</i> US\$ '000	<i>Treasury shares</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>Reserves</i>		<i>Retained earnings</i> US\$ '000	<i>Total equity</i> US\$ '000		<i>Non-controlling interests</i> US\$ '000
				<i>Fair value through equity reserve</i> US\$ '000					
At 1 January 2022	120,334	(1,309)	4,651	2,213	17,198	143,087	25,238	168,325	
Profit for the year	-	-	-	-	923	923	184	1,107	
Other comprehensive loss for the year (17 b)	-	-	-	(174)	-	(174)	-	(174)	
Transfer to statutory reserve (note 17 a)	-	-	92	-	(92)	-	-	-	
As at 31 December 2022	120,334	(1,309)	4,743	2,039	18,029	143,836	25,422	169,258	
At 1 January 2021	120,334	(1,309)	4,576	1,495	16,527	141,623	25,107	166,730	
Profit for the year	-	-	-	-	746	746	131	877	
Other comprehensive income for the year (17 b)	-	-	-	718	-	718	-	718	
Transfer to statutory reserve (note 17 a)	-	-	75	-	(75)	-	-	-	
At 31 December 2021	120,334	(1,309)	4,651	2,213	17,198	143,087	25,238	168,325	

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

INOVEST B.S.C.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND

For the year ended 31 December 2022

	<i>2022</i> <i>US\$ '000</i>	<i>2021</i> <i>US\$ '000</i>
Sources of charity funds		
Undistributed charity funds at the beginning of the year	24	24
Contributions for charitable purposes made by the Company	(3)	-
Undistributed charity funds at end of year	21	24

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

INOVEST B.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Note</i>	2022 US\$ '000	2021 US\$ '000
OPERATING ACTIVITIES			
Net profit for the year		1,107	877
Adjustments for:			
Depreciation	10	658	966
Net reversal of provision for expected credit loss	5 & 6	(35)	(414)
Net movement in legal provisions		(1,590)	(4,283)
Share of net loss from investment in joint ventures and associates	8	1,015	223
Net ijarah cost	26	109	75
Impairment loss on investment at fair value through equity	21	-	24
Gain on sale of investment in real estate	20	(579)	-
Write off during the year for expected credit loss	6	(305)	-
		380	(2,532)
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		(2,765)	(1,922)
Accounts receivable		96	3,094
Other assets		(446)	287
Other liabilities and accounts payable		(543)	4,143
Ijarah payment		(121)	(65)
Amortisation of deferred ijarah cost		14	-
Net cash (used in) / from operating activities		(3,385)	3,005
INVESTING ACTIVITIES			
Purchase of investments	7	(1,990)	-
Revaluation loss on investment		(174)	-
Purchase of investment in a joint venture and associates	8	(247)	-
Additional capitalisation of investment in real estate	9	(3,100)	(2,700)
Proceeds from sale of investment in real estate		1,158	-
Proceeds from capital reduction for investments		166	323
Distributions received from a joint venture and associates	8	372	410
Purchase of property, plant and equipment	10	(2,306)	(282)
Net cash used in investing activities		(6,121)	(2,249)
FINANCING ACTIVITY			
Net movement in financing from a bank	15	(1,845)	318
Net cash (used in) / from financing activity		(1,845)	318
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(11,351)	1,074
Cash and cash equivalents at the beginning of the year		18,642	17,568
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	7,291	18,642
Non cash transactions comprise:			
Changes in investment fair value reserve	17	(174)	718

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

As at 31 December 2022

1 CORPORATE INFORMATION AND ACTIVITIES

a) Incorporation

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

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

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

b) Activities

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

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

Although the Company has an Investment Business Firm License – Category 1 (Islamic Principles) issued by the CBB in September 2008, it continues to hold real estate assets and related revenues and costs in its consolidated financial statements. These assets existed prior to obtaining the license from the CBB. The Company has transferred its entire real estate assets and the related revenues and costs to its fully owned subsidiary, Al Khaleej Development Co. W.L.L.(Tameer), which primarily carries out real estate and construction related activities. Since Al Khaleej Development Co. W.L.L.(Tameer) is fully owned by the Company, the real estate assets and revenues and costs continue to appear in the consolidated financial statements of the Group for the year ended 31 December 2022. The respective notes in these consolidated financial statements reflect the Group's transactions arising from holding of real estate assets and their corresponding liabilities and revenues and costs arising therefrom.

The number of staff employed by the Group as at 31 December 2022 was 650 employees (31 December 2021: 378 employees).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 28 February 2023.

As at 31 December 2022

2 BASIS OF PREPARATION**2.1 Statement of compliance**

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

2.2 Accounting convention

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

2.3 Basis of consolidation

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

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

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

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

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

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

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

<i>Name of the subsidiary</i>	Ownership <i>2022</i>	<i>Ownership</i> <i>2021</i>	<i>Country of</i> <i>incorporation</i>	<i>Year of</i> <i>incorporation</i>	<i>Activity</i>
Held directly by the Company					
Al Khaleej Development Co. W.L.L.(Tameer)	100.00%	100.00%	Kingdom of Bahrain	2009	Purchase, sale, management and development of properties

As at 31 December 2022

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

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

<i>Name of the subsidiary</i>	Ownership 2022	<i>Ownership 2021</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Activity</i>
Held indirectly by the Company					
Bahrain Investment Wharf W.L.L	100.00%	100.00%	Kingdom of Bahrain	2006	Development, maintenance, leasing and management of commercial and industrial centers, residential buildings and property
Tamcon Contracting Co. W.L.L.	100.00%	100.00%	Kingdom of Bahrain	2007	Contracting activities
Dannat Resort Development Company Limited	67.57%	67.57%	Cayman Islands	2008	Managing and Development of Real Estate Projects
Tamcon Trading W.L.L.	100.00%	100.00%	Kingdom of Bahrain	2009	Import, export, sale of electronic & electrical equipment, appliances, its spare parts and sale of building materials.
Panora Interiors W.L.L.	100.00%	100.00%	Kingdom of Bahrain	2015	Carpentry and joinery works.
BIW Labour Accommodation Co W.L.L.	60.21%	60.21%	Kingdom of Bahrain	2007	Buying, selling and management of properties.

2.4 New standards, amendments and interpretations issued but not yet effective**FAS 39 Financial Reporting for Zakah**

AAOIFI issued FAS 39 “Financial Reporting for Zakah” in 2021. The objective of the standard is to establish principles of financial reporting to Zakah, attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

The Group's management does not expect the above accounting standard to have an impact on the consolidated financial statements of the Group.

FAS 40 Financial Reporting for Islamic Finance Windows

AAOIFI issued FAS 40 “Financial Reporting for Islamic Finance Windows” in 2021. The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in form of Islamic finance window). This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted.

The Group's management does not expect the above accounting standard to have an impact on the consolidated financial statements of the Group.

FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholder as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted.

The Group's management does not expect the above accounting standard to have an impact on the consolidated financial statements of the Group.

As at 31 December 2022

2 BASIS OF PREPARATION (continued)

2.4 New standards, amendments and interpretations issued but not yet effective (continued)

FAS 43 Accounting for Takaful: Recognition and Measurement

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted.

The Group's management does not expect the above accounting standard to have an impact on the consolidated financial statements of the Group.

FAS 1 General Presentation and Disclosures in the Financial Statement

The standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

The Group's management is currently assessing the impact of the above standard on the consolidated financial statements of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Cash and cash equivalents

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

b. Accounts receivable

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

c. Investments

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

Equity-type investment in fair value through equity

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

Investment in real estate

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

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

As at 31 December 2022

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

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

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

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

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

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

d. Fair values

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

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

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

As at 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**e. Property, plant and equipment**

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

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

f. Other liabilities and accounts payable

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

g. Financing from a bank

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

h. Treasury shares

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

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

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

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

(ii) Financial liabilities

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

j. Provisions

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

k. Amortised cost measurement

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

As at 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**I. Offsetting**

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

m. Revenue recognition

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

(i) Income from investment in real estate

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

(ii) Fee from management and other services

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

(iii) Income from investments

Income from investments is recognised when earned.

(iv) Income from construction contracts

Contract income is recognised under the percentage of completion method.

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

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

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

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

n. Shari'a Supervisory Board

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

As at 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**o. Earnings prohibited by Shari'a**

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

p. Foreign currencies

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

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

q. Employees' end of service benefits

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

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

r. Impairment of financial assets

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

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

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

s. Events after the statement of financial position date

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

t. Zakah

Individual shareholders are responsible for payment of Zakah.

u. Lease rent payables

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

As at 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretations and amendments

The Group has adopted the following FASs which are effective as of 1 January 2022 as explained below.

FAS 37 Financial Reporting by Waqf Institutions

AAOIFI issued FAS 37 "Financial Reporting by Waqf Institutions" in 2020. The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules.

The adoption of the above accounting standard did not have a material impact on the consolidated financial statements.

FAS 38 Wa'ad, Khiyar and Tahawwut

The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (the institutions).

This standard applies to accounting and financial reporting for all transactions involving Wa'ad, Khiyar or Tahawwut arrangements carried out under Shari'ah principles and rules. The standard categorises Wa'ad and Khiyar into the following types:

a) ancillary Wa'ad or Khiyar—where the Wa'ad or Khiyar is associated with a Shari'ah compliant arrangement, and is related to the structure of the transaction, e.g. a promise by the purchase orderer (potential buyer) attached to a Murabaha transaction, or a promise to purchase after the end of the Ijarah term in an Ijarah Muntahia Bittamleek transaction, or the option of seeing (i.e. inspecting) in a sale transaction; and

b) product Wa'ad or Khiyar—where the Wa'ad or Khiyar is used as a stand-alone Shari'ah compliant arrangement in itself e.g. foreign exchange forward promise or an option of cancellation of sale with Arboun.

For ancillary Wa'ad or Khiyar, at the end of each financial reporting period, the Group assesses whether any of the ancillary Wa'ad or Khiyar, in either capacity of a promisor or promisee, has turned into an onerous contract or commitment. Onerous contract or commitment is accounted for in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments".

For product Wa'ad or Khiyar, the Group is required to account for any obligation or rights arising from such arrangement and subsequently, at each reporting period, the carrying amount of the recognized constructive obligation or rights shall be reviewed and necessary adjustments shall be made. Any gains or losses shall be taken to the statement of income unless these pertain to a Tahawwut (hedging) arrangement.

The adoption of the above accounting standard did not have a material impact on the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

As at 31 December 2022

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Classification of investments

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

Estimates and assumptions

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

Going concern

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

Fair valuation of investments

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

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

Impairment of investments at fair value through equity

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

Special purpose entities

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

Impairment and uncollectibility of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment and uncollectibility of financial assets (continued)

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

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

Liquidity

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

5 CASH AND BANK BALANCES

	2022	2021
	US\$ '000	US\$ '000
Short-term deposits (with an original maturity of 90 days or less)	1,483	9,087
Current account balances with banks	5,800	9,542
Cash in hand	8	13
Total cash and cash equivalents	7,291	18,642
Short-term deposits (with an original maturity of more than 90 days)	10,660	7,895
Less: Provision for expected credit loss	(132)	(161)
Total cash and bank balances	17,819	26,376

Movements in the provision for expected credit loss:

	2022	2021
	US\$ '000	US\$ '000
At 1 January	161	142
(Reversal) / charge during the year	(29)	19
As at 31 December 2022	132	161

6 ACCOUNTS RECEIVABLE

	2022	2021
	US\$ '000	US\$ '000
Amounts due from related parties (note 28)	13,154	12,830
Trade receivables	5,838	8,729
Rent receivable	1,311	1,296
Other receivables	23,484	21,028
	43,787	43,883
Less: provision for expected credit losses	(23,161)	(23,472)
	20,626	20,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

6 ACCOUNTS RECEIVABLE

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

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

	2022	<i>2021</i>
	US\$ '000	<i>US\$ '000</i>
At 1 January	23,472	23,905
Write off during the year	(305)	-
Write back during the year	(6)	(433)
As at 31 December 2022	23,161	23,472

7 INVESTMENTS

	2022	<i>2021</i>
	US\$ '000	<i>US\$ '000</i>
Equity-type instruments at fair value through equity - Unquoted		
Equity investment in real estate	19,739	19,905
Managed funds	1,990	-
	21,729	19,905
Less: Provision for impairment	(6,941)	(6,941)
	14,788	12,964

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

8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	2022	<i>2021</i>
	US\$ '000	<i>US\$ '000</i>
At 1 January	95,048	95,681
Acquisitions during the year	247	-
Share of net loss	(1,015)	(223)
Distributions during the year	(372)	(410)
As at 31 December	93,908	95,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

The Group has an investment in the following joint ventures:

<i>Name</i>	<i>Principal activities</i>	<i>Ownership</i>		<i>Country of incorporation</i>	<i>Carrying value</i>	
		<i>2022</i>	<i>2021</i>		<i>2022</i>	<i>2021</i>
					<i>US\$ '000</i>	<i>US\$ '000</i>
First Gulf Real Estate Company W.L.L. <i>(Investment acquired as a result of consolidation of Dannat Resort Development Company Ltd)</i>	Purchase of land and construct buildings thereon for investments through sale or lease, manage and maintain real estates	55.56%	55.56%	<i>Kingdom of Saudi Arabia</i>	40,082	40,174
Advance Project Group Holding W.L.L.	Manufacturing company for producing wood-plastic composites	45.00%	45.00%	<i>State of Kuwait</i>	3,245	2,971
Alghanim International Bahrain - Tamcon Contracting Co. JV	Construction	49.00%	0.00%	<i>Kingdom of Bahrain</i>	313	-
					43,640	43,145

Summarised financial information of joint ventures

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

	<i>2022</i>	<i>2021</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Total assets	62,870	62,245
Total liabilities	2,669	2,476
Total net profit	611	649

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2022 and 31 December 2021.

The principal associates of the Group are:

<i>Name of associate</i>	<i>Principal activities</i>	<i>Ownership</i>		<i>Country of incorporation</i>	<i>Carrying value</i>	
		<i>2022</i>	<i>2021</i>		<i>2022</i>	<i>2021</i>
					<i>US\$ '000</i>	<i>US\$ '000</i>
Durrat Marina Investment Company Ltd.	<i>Development and sale of commercial and residential properties</i>	46.49%	46.49%	<i>Cayman Islands</i>	43,184	44,498
Takhzeen Warehousing and Storage Company B.S.C. (c)	<i>Management and maintenance of warehouses</i>	37.24%	37.24%	<i>Kingdom of Bahrain</i>	4,200	4,371
Boyot Al Mohandseen Contracting Company	<i>Development of real estate in Dhahran, Kingdom of Saudi Arabia</i>	23.17%	23.17%	<i>Kingdom of Saudi Arabia</i>	2,884	3,034
					50,268	51,903

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8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

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

	2022	2021
	US\$ '000	US\$ '000
Summarised financial information of associates		
Total assets	126,646	130,452
Total liabilities	9,263	9,275
Total net loss	(2,765)	(839)

The associates had no contingent liabilities or capital commitments as at 31 December 2022 and 31 December 2021.

9 INVESTMENTS IN REAL ESTATE

	2022	2021
	US\$ '000	US\$ '000
At 1 January	79,524	76,824
Additions during the year	3,100	2,700
Disposals during the year	(579)	-
As at 31 December	82,045	79,524

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

Investments in real estate based on valuations performed by external property valuers amounted to US\$ 105.48 million (31 December 2021: US\$ 106.64 million). However, due to the illiquid nature of the real estate market and slowdown within the economic environment, the management believes the current carrying value of investments in real estate amounting to US\$ 82.04 million (31 December 2021: US\$ 79.52 million) approximates its fair value.

Investments in real estate stated with at a carrying amount of US\$ 18.7 million (31 December 2021: US\$ 18.7 million) are secured as collateral against the financing facilities obtained (note 15).

10 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings on leasehold land</i>	<i>Machinery, equipment furniture and fixtures</i>	<i>Computer hardware and software</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Cost					
At 1 January 2022	10,122	10,694	1,592	2,254	24,662
Additions	-	2,086	145	75	2,306
Disposals	-	-	-	(17)	(17)
As at 31 December 2022	10,122	12,780	1,737	2,312	26,951
Accumulated depreciation					
At 1 January 2022	3,081	9,727	1,533	1,960	16,301
Charge	184	319	77	78	658
Disposals	-	-	-	(17)	(17)
As at 31 December 2022	3,265	10,046	1,610	2,021	16,942
Net book amount:					
As at 31 December 2022	6,857	2,734	127	291	10,009
At 31 December 2021	7,041	967	59	294	8,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2022	2021
	US\$ '000	US\$ '000
Depreciation charged to contract costs (note 19)	278	238
Depreciation charged to expenses	380	728
	658	966

11 RIGHT OF USE ASSET

	2022	2021
	US\$ '000	US\$ '000
Cost		
Opening	328	-
Additions	-	328
	328	328
Accumulated amortisation		
At 1 January	64	-
Charge	109	64
	173	64
Net book value	155	264

12 OTHER ASSETS

	2022	2021
	US\$ '000	US\$ '000
Advances to contractors	591	274
Prepayments	381	257
Other assets	5	
	977	531

13 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	2022	2021
	US\$ '000	US\$ '000
Lease rent payables (note 13.1)	50,105	50,105
Accruals and other payables	5,698	7,992
Advances from construction clients	3,293	4,970
Case compensation and other contingencies (note 13.2)	1,799	3,389
Trade payables	4,940	1,469
Retentions payable	1,042	1,046
Amounts due to related parties (note 13.3 and 28)	113	152
	66,990	69,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

13 OTHER LIABILITIES AND ACCOUNTS PAYABLE (continued)

Note 13.1

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

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

Note 13.2

The Group has a history of legal claims filed against it. Due to such claims history, management has made an assessment of potential future claims against the Company and accordingly retained provisions for such future contingencies.

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

	2022 US\$ '000	2021 US\$ '000
As at 1 January	3,389	7,672
Additions*	-	2,122
Settlements	(323)	(476)
Reversal	(1,267)	(5,929)
As at December	<u>1,799</u>	<u>3,389</u>

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

Note 13.3

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

14 IJARAH LIABILITY

	2022 US\$ '000	2021 US\$ '000
As at 1 January	274	-
Additions	-	330
Amortisation of deferred ijarah cost	14	11
Payments	(121)	(67)
As at 31 December	<u>167</u>	<u>274</u>
Within one year	131	117
After one year but not more than five years	36	157
Total	<u>167</u>	<u>274</u>

15 FINANCING FROM A BANK

	2022 US\$ '000	2021 US\$ '000
Commodity murabaha financing	<u>3,912</u>	<u>5,757</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

16 SHARE CAPITAL

	2022 US\$ '000	2021 US\$ '000
Authorised		
375,000,000 (31 December 2021: 375,000,000) ordinary shares of US\$ 0.40 each	150,000	150,000
Issued and fully paid-up		
Opening balance		
300,836,787 (31 December 2021: 300,836,787) ordinary shares of US\$ 0.40 each	120,334	120,334
Treasury shares		
Less: 3,675,000 (31 December 2021: 3,675,000) treasury shares	(1,309)	(1,309)
Closing balance		
297,161,787 (31 December 2021: 297,161,787) ordinary shares	119,025	119,025

Additional information on shareholding pattern

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

At 31 December 2022

<i>Name</i>	<i>Incorporation</i>	<i>Number of shares</i>	<i>% holding</i>
Gulf Investment House	State of Kuwait	71,725,670	23.84%
Sanad Company for buying and selling shares and bonds	State of Kuwait	27,088,879	9.00%
Dubai Islamic Bank	United Arab Emirates	15,043,309	5.00%
Others	Various	186,978,929	62.15%
		300,836,787	100%

At 31 December 2021

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

16 SHARE CAPITAL (continued)

Additional information on shareholding pattern (continued)

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

At 31 December 2022

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	62,401,808	714	20.74%
1% up to less than 5%	126,464,621	13	42.04%
5% up to less than 10%	69,360,358	3	23.06%
10% up to less than 50%	42,610,000	1	14.16%
	300,836,787	731	100%

At 31 December 2021

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

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

	% of total outstanding shares	No. of shares
31 December 2022		
Abdulaziz Assad Alsanad	0.19%	558,188
Dr. Abdulaziz Fahad Dakheel	0.20%	600,000
		1,158,188
		<i>Number of shares</i>
31 December 2021		
Abdulaziz Assad Alsanad	1.83%	5,508,188
Dr. Abdulaziz Fahad Dakheel	0.20%	600,000
		6,108,188

17 RESERVES

a. Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the net profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of paid up share capital. The reserve is not available for distribution, except in circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain. Transfer to the statutory reserve of US\$ 92 thousand has been made for the year ended 31 December 2022 (31 December 2021: US\$ 75 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

17 RESERVES (continued)

b. Fair value through equity reserve

Unrealised gains and losses resulting from investments carried at fair value through equity, if not determined to be impaired is recorded in the fair value through equity reserve and is not available for distribution. Upon disposal of related assets, the related cumulative gains or losses are transferred to retained earnings and become available for distribution. Included in fair value through equity reserve is an unrealised loss on investments for the year ended 31 December 2022 amounting to 174 thousand (31 December 2021: unrealised gain 718 thousand).

18 TREASURY SHARES

Treasury shares represent 3,675,000 (31 December 2021: 3,675,000) shares amounting to US\$ 1,308,680 (31 December 2021: US\$ 1,308,680) representing 1.22% (31 December 2021: 1.22%) of the issued share capital, held by the Group.

19 NET INCOME FROM CONSTRUCTION CONTRACTS

	2022	2021
	US\$ '000	US\$ '000
Contract income	15,582	5,361
Contract costs	(14,709)	(4,951)
	<u>873</u>	<u>410</u>

Contract costs include depreciation amounting to US\$ 278 thousand (31 December 2021: US\$ 238 thousand).

20 INCOME FROM INVESTMENT IN REAL ESTATE

	2022	2021
	US\$ '000	US\$ '000
Rental income	3,808	3,140
Realised gain on sale of investment in real estate	579	-
	<u>4,387</u>	<u>3,140</u>

21 INCOME / (LOSS) FROM INVESTMENTS

	2022	2021
	US\$ '000	US\$ '000
Impairment loss on investment at fair value through equity	-	(24)
Dividend income	65	-
	<u>65</u>	<u>(24)</u>

22 FEE FOR MANAGEMENT AND OTHER SERVICES

Fee from management and other services mainly represent fees earned by the Group with respect to project structuring for related parties.

	2022	2021
	US\$ '000	US\$ '000
Property and facility management income	148	978
Financial advisory service charges	80	63
Other management services	2,918	80
	<u>3,146</u>	<u>1,121</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

22 FEE FOR MANAGEMENT AND OTHER SERVICES (continued)

Other management services includes extra services provided by the group i.e maintenances services of land, accounting services, site supervision services , property management services and security services. also amount had been received in previous years and was previously kept as deferred income now realised in the current year.

23 OTHER INCOME

	2022	2021
	US\$ '000	US\$ '000
Profit on short-term deposits	600	569
Electricity and water services	244	119
Others	370	-
	1,214	688

24 STAFF COSTS

	2022	2021
	US\$ '000	US\$ '000
Salaries and benefits	3,354	3,318
Other staff expenses	590	705
	3,944	4,023

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	US\$ '000	US\$ '000
Legal and professional fees	542	668
Rent, rates and taxes	395	507
Board member expenses	263	249
Regulatory fees	209	215
IT related expenses	208	214
Advertising and marketing	80	95
ESG expense	22	-
Directors professional liability insurance	81	55
Labour accommodation expenses	9	10
Travelling and transportation	72	2
Other expenses	368	369
	2,249	2,384

26 NET IJARAH COST

	2022	2021
	US\$ '000	US\$ '000
Amortisation of right of use asset	109	64
Amortisation of deferred ijarah cost	14	11
	123	75

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

27 BASIC AND DILUTED EARNINGS PER SHARE

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

	2022	2021
	US\$ '000	US\$ '000
Income attributable to the equity shareholders of the Parent for the year	923	746
Weighted average number of shares outstanding at the beginning of the year net of treasury shares (in thousands)	297,162	297,162
Weighted average number of shares outstanding at the beginning and end of the year (in thousands)	297,162	297,162
Earnings per share - US\$ cents	0.31	0.25

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

28 RELATED PARTY BALANCES AND TRANSACTIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Terms and conditions of transactions with related parties

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

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

	31 December 2022				31 December 2021			
	Key management personnel/ Associates and joint venture US\$ '000	Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Key management personnel/ Associates and joint venture US\$ '000	Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Accounts receivable - gross	10,002	-	3,152	13,154	9,810	-	3,020	12,830
Provision	(2,998)	-	(2,409)	(5,407)	(2,997)	-	(2,409)	(5,406)
Accounts receivable - net	7,004	-	743	7,747	6,813	-	611	7,424
Other liabilities and accounts payable	11	23	79	113	15	15	122	152

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

	31 December 2022				31 December 2021			
	Key management personnel/ Associates and joint venture US\$ '000	Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Key management personnel/ Associates and joint venture US\$ '000	Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Income								
Fee from management and other services	207	-	-	207	208	-	-	208
Net share of loss from investment in a joint venture and associates	(1,015)	-	-	(1,015)	(223)	-	-	(223)
	(808)	-	-	(808)	(15)	-	-	(15)
Expenses								
Staff costs	-	1,857	-	1,857	-	1,821	-	1,821
General and administrative expenses	11	263	207	481	11	213	247	471
	11	2,120	207	2,338	11	2,034	247	2,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2022 US\$ '000	2021 US\$ '000
Salaries and other benefits	<u>1,857</u>	<u>1,821</u>

29 SEGMENTAL INFORMATION

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

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

Segment information is disclosed as follows:

	31 December 2022				
	<i>Investment and related services</i>	<i>Construction Contracts</i>	<i>Development and sale of industrial plots</i>	<i>Eliminations</i>	<i>Total</i>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net revenues from					
external customers	2,319	1,388	4,956	(257)	8,406
Inter-segment transactions	210	-	558	(768)	-
Income from investments	65	-	-	-	65
Net share of (loss) / profit from					
investment in joint					
ventures and associates					
(note 8)	(858)	66	-	(223)	(1,015)
Other income	103	583	528	-	1,214
Total revenue	<u>1,839</u>	<u>2,037</u>	<u>6,042</u>	<u>(1,248)</u>	<u>8,670</u>
Segment profit / (loss)	<u>411</u>	<u>(1,168)</u>	<u>3,490</u>	<u>(1,626)</u>	<u>1,107</u>
Segment assets	<u>385,590</u>	<u>38,708</u>	<u>150,720</u>	<u>(334,691)</u>	<u>240,327</u>
Segment liabilities	<u>139,507</u>	<u>14,370</u>	<u>54,060</u>	<u>(136,868)</u>	<u>71,069</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 SEGMENTAL INFORMATION (continued)

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

30 CONTINGENCIES AND COMMITMENTS

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

The Group has the following credit related commitments:

	2022	2021
	US\$ '000	US\$ '000
Guarantees	12,759	2,200

31 FIDUCIARY ASSETS

The assets managed on behalf of customers, to which the Group does not have any legal title are not included in the consolidated statement of financial position. At 31 December 2022, the carrying value of such assets is US\$ 96.64 million (31 December 2021: US\$ 98.21 million). The share of assets relating to non-controlling shareholders within the subsidiaries consolidated in the financial statements amounted to US\$ 26.70 million (31 December 2021: US\$ 26.4 million).

32 RISK MANAGEMENT

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

32 RISK MANAGEMENT (continued)

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

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

Risk governance

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

a) Credit risk

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

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

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

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

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

	Gross maximum exposure 2022 US\$ '000	Gross maximum exposure 2021 US\$ '000
Bank balances	17,811	26,363
Accounts receivable	20,626	20,411
Commitments and contingent liabilities	12,759	2,200
Total	51,196	48,974

ii) Concentration risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

32 RISK MANAGEMENT (continued)

a) Credit risk (continued)

ii) Concentration risk (continued)

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

	31 December 2022			31 December 2021		
	Assets US\$ '000	Liabilities US\$ '000	Contingent liabilities US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Contingent liabilities US\$ '000
Geographic region:						
Kingdom of Bahrain	193,134	71,050	12,759	196,527	75,123	2,200
Other GCC countries	47,193	19	-	46,952	31	-
	240,327	71,069	12,759	243,479	75,154	2,200
	31 December 2022			31 December 2021		
	Assets US\$ '000	Liabilities US\$ '000	Contingent liabilities US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Contingent liabilities US\$ '000
Industry sector:						
Real estate	188,817	52,870	12,759	189,136	62,501	2,200
Non real estate	51,510	18,199	-	54,343	12,653	-
	240,327	71,069	12,759	243,479	75,154	2,200

b) Market risk

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

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

i) Profit rate risk

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

ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views the Bahraini Dinars as its functional currency and United States Dollar as its reporting currency. As at 31 December 2022 and 2021, the Group had net foreign currency exposure in respect of Bahraini Dinars and Kuwaiti Dinars. Bahraini Dinars are pegged to the United States Dollar and thus are considered not to represent significant currency risk. The Group's net exposure to Kuwaiti Dinars is considered minimal.

iii) Equity price risk

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

The effect on fair value through equity reserve (as a result of a change in the net asset value of equity investments) due to a reasonable possible positive change (ie. +5%) in the value of individual investments, with all other variables held constant, is US\$ 739 thousand (2021: US\$ 648 thousand).

The effect on consolidated statement of income (as a result of a change in the net asset value of equity investments) due to a reasonable possible negative change (ie. -5%) in the value of individual investments, with all other variables held constant, is US\$ 739 thousand (2021: US\$ 648 thousand), after exhausting the fair value through equity reserve (if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

32 RISK MANAGEMENT (continued)

c) Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2022 based on expected periods to cash conversion from the consolidated statement of financial position date:

	<i>Up to 1 Month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>Over 10 years US\$ '000</i>	<i>No fixed maturity US\$ '000</i>	<i>Total US\$ '000</i>
ASSETS									
Cash and bank balances	14,952	1,483	-	1,384	-	-	-	-	17,819
Accounts receivable	10,028	817	792	347	3,265	435	-	4,942	20,626
Investments	-	-	-	-	14,788	-	-	-	14,788
Investment in joint ventures and associates	-	-	-	-	90,663	-	-	3,245	93,908
Investments in real estate	2,190	-	-	-	47,688	4,829	27,338	-	82,045
Property, plant and equipment	-	-	-	-	-	-	-	10,009	10,009
Right of use asset	-	-	-	-	155	-	-	-	155
Other assets	61	164	485	134	133	-	-	-	977
Total assets	27,231	2,464	1,277	1,865	156,692	5,264	27,338	18,196	240,327
LIABILITIES									
Other liabilities and accounts payable	4,723	3,050	2,417	3,011	3,631	3,316	46,789	53	66,990
Ijarah liability	10	20	31	63	43	-	-	-	167
Financing from a bank	1,088	-	1,038	1,088	698	-	-	-	3,912
Total liabilities	5,821	3,070	3,486	4,162	4,372	3,316	46,789	53	71,069
Net liquidity gap	21,410	(606)	(2,209)	(2,297)	152,320	1,948	(19,451)	18,143	169,258
Cumulative liquidity gap	21,410	20,804	18,595	16,298	168,618	170,566	151,115	169,258	
Contingencies and commitments	-	-	-	-	12,759	-	-	-	12,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

32 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

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

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

d) Operational risk

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

32 RISK MANAGEMENT (continued)

e) Other risks

Regulatory risk

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

Legal risk

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

Reputation risk

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

33 SOCIAL RESPONSIBILITY

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

34 COMPARATIVE FIGURES

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