

INOVEST B.S.C.

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

31 DECEMBER 2023

Inovest B.S.C.

Administration and contact details as at 31 December 2023

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

Adnan Mohammed Rahma (Acting CEO)

Board Secretary

Riyadh Mahmood Mulla Ahmed

Sharia'a Supervisory Board

Sheikh Dr. Hamad Yusuf Al Mazrouie

- Chairman

Sheikh Dr. Abdulrahman Mohammed Al Baloul

- 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 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 2023.

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 19th Feb. 2024 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 2023, 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 2023 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	



**Report of the Chairman of the Board of Directors
For the year ending 31 December 2023**

In the name of God, the most gracious, the most merciful

On behalf of the Board of Directors of InoVest, it is my pleasure to present to you the group's annual report for the financial year ending on 31 December 2023.

Group Performance

The Federal Reserve's rapid escalation of interest rates, which was largely reflected in the GCC countries, has imposed great pressure on strain on market liquidity due to the inherent linkage between local interest rates and their international counterparts, particularly the US dollar. This development stands as a pivotal factor contributing to the surge in interest rates on borrowing within internal banks as well as inflation rates. Experts and financial analysts concur that the reasons behind the heightened interest rates levied by banks stems from insufficiency of liquidity, whereas the Federal Reserve started, in March 2022, to raise interest rates, with the aim to reduce inflation, albeit at the expense of raising interest rates to levels unprecedented in several decades across all types of loans. Nonetheless, this circumstance is anticipated to be transient, with liquidity conditions projected to improve thanks to corrective measures taken in 2023 as countries adapt to the more stringent monetary policy environment. As a precautionary measure, the Board of Directors has exerted great effort to clear outstanding loan balances. Whereas, by the grace of God, during the fourth quarter of 2023, InoVest successfully discharged the last installment of its loan obligations to a local banking institution. Consequently, as we embark upon 2024, InoVest stands unencumbered by any financing liabilities.

As a group, it is with great satisfaction that we conclude the financial year 2023, announcing that InoVest has achieved positive results, which is what InoVest has accomplished over the past 5 years. The group achieved a net profit for shareholders of the parent company amounting to 4.634 million USD, compared to a profit of 923 thousand USD for the year 2022, constituting an increase of 402%. Accordingly, the basic per share in the parent company's earnings per share for the current year amounted to 1.56 US cents, compared to 0.31 US cents for the year 2022, whereas this increase is mainly attributed to the exit from an investment in the Kingdom of Saudi Arabia. As for the net operating profit, the company recorded an increase, amounting to 3.980 million USD for the year 2023, compared to a loss of 195 thousand USD for the year 2022, whereas this is mainly attributed to the exit from an investment in the Kingdom of Saudi Arabia. Moreover, as for operating expenses, they decreased by 5% as a result of the efforts made by the group to control expenses. Whereas, operating revenues for the year 2023 amounted to 12.390 million, constituting an increase of 43%, compared to the 8.67 million USD recorded in 2022.

The perpetual positive results achieved by InoVest stands as a testament to the Board of Directors' steadfast strategic, which relies primarily on stimulating current projects and diligently pursuing exit from investments for the purpose of enhancing liquidity levels, subsequently reinvesting these resources into ventures and projects offering lucrative returns. At the level of current

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projects, and in a qualitative development, the financial performance of Advanced Industries Group displays an increase in the level of profits achieved, which are reinvested into expansion processes and increasing production capacity, as well as facilitating product diversification. A significant milestone in this trajectory is the acquisition of a manufacturing facility in the Kingdom of Saudi Arabia, which has empowered the group not only to boost its production capabilities but also to broaden its product portfolio beyond its former focus on doors and accessories. Leveraging this expansion, the group now boasts a competitive edge not only through heightened production volumes but also by offering an array of products in varying colors to consumers. The specific products produced by the Saudi factory include the production of interior window and door frames, as well as high-density interior door gaskets that work as heat and sound insulation. This qualitative shift was accompanied by an exceptional event reflected in the official opening of the company's showroom during the month of November 2023, located in Rai area, which is one of the important commercial streets in the State of Kuwait.

During the year 2023, Inovert also succeeded in effecting an exit from one of its real estate investments within the Kingdom of Saudi Arabia culminating in a substantial influx of cash flow to the company amounting to 8.488 million USD. Concurrently, Tamcon Contracting Co W.L.L, is currently working on fulfilling its pending projects and continues its mission to obtain major projects by participating in housing tenders as well as infrastructure projects proposed by the government.

Future Outlook

In an important and qualitative event with respect to of one of our main projects and on the sidelines of the Real Estate Future Forum, which was held on 24 January 2024 in the Saudi capital, Riyadh, First Gulf Real Estate Company, which owns Ajwan Resort, (a Saudi company in which Inovert Group owns a shareholding of approximately 37.6%), signed a Memorandum of Understanding with the Spanish company Melia Hotels & Resorts (Melia), to operate the hotel planned to be established within the resort located on Half Moon Beach in the Eastern Province of the Kingdom of Saudi Arabia with an area of 1 million square meters, or approximately 1.25 kilometers of open waterfront. We are pleased to witness this great milestone reflected in the inauguration of Ajwan Resort at the highest level of elegance on par with the huge luxurious tourism development projects under implementation in line with the Kingdom's 2030 Vision.

Melia Hotels & Resorts was chosen based on the company's extensive experience in operating international resorts since its founding in 1956 in Mallorca (Spain), where it operates more than 400 hotels in more than 40 countries and across 10 Brands, combining exceptional hospitality with efficient management. There is no doubt that the Meliá hotel brand will be a profound addition to Ajwan project due to its experience and exposure in the hospitality industry, in particular, waterfronts. This will serve to create an entertainment, tourist and residential destination, not only for the owners of villas and townhouses in Ajwan project, but for the Eastern Province as a whole.

Furthermore, First Gulf Real Estate announced earlier that it had signed an agreement with Sumou Real Estate to develop the Ajwan Resort project backed by a Gulf investment of up to

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1.5 billion Saudi riyals. The project is poised to become one of the most distinguished luxury residential and tourist destinations in the Eastern Province, boasting over 680 residential units of various sizes, including luxury villas with direct sea views on a 1.25-kilometre-long beach, as well as villas with views of the inner bay, which will reach a length of more than 2.5 km. The resort will also contain townhouse units and commercial and entertainment areas, which will include a water park, a restaurant area, cafes, cruise necessities showrooms, a sports center, and a cinema.

In its pursuit to diversify its investments, Inovert is cautiously studying several opportunities in the GCC countries spanning pivotal sectors such as education, health and industry, with a keen focus on the distinctive opportunities prevalent within the markets of the Kingdom of Saudi Arabia. Concurrently, the emergence of investment indicators have appeared to be very positive and encouraging.

These positive developments increase our level of certainty that Inovert is moving steadily towards achieving its desired goals, which, God willing, will rise to the level of aspirations cherished by the company's shareholders.

In Conclusion,

Whereas the current session of the Board of Directors is about to end and we are in the process of handing over the secretariat to the new Board of Directors, which will be elected, God willing, during the regular general assembly meeting scheduled for 20 March 2024, I extend, on behalf of myself and on behalf of the members of the Board of Directors, our sincere gratitude and appreciation to our esteemed shareholders for their unwavering support and trust. We also express our sincere thanks to customers, investors and all supporting parties, especially the Bank of Bahrain. The Central Bank and the Ministry of Industry and Commerce for their continued support. Likewise, we also extend our sincere gratitude and appreciation to the executive team and all Inovert Group employees for their dedication, sincere efforts and hard work.

Finally, we ask God Almighty to preserve the dear Kingdom of Bahrain and its wise government under the leadership of His Majesty King Hamad bin Isa Al Khalifa, may God protect and preserve him, and His Royal Highness Prince Salman bin Hamad Al Khalifa, may God protect and preserve him. We also ask God, the Most High and Almighty, to direct everyone's steps to the path of goodness and success.

As part of the Group's commitment to maintaining the utmost levels of transparency with our valued shareholders, we are pleased to append herewith the table describing the remuneration of members of the Board of Directors and Executive Management for the financial year ending on 31 December 2023:

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

First: Board of directors' remuneration details:

Name	Fixed remunerations				Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others*	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total			
First: Independent Directors:											
1- Mohammad Al-Shalfan	30,000	10,080	-	40,080	-	-	-	-	-	40,080	-
2-Mohamed Al Matook	5,000	5,900	-	10,900	-	-	-	-	-	10,900	-
3- Abdullah Al- Abduljader	5,000	6,200	-	11,200	-	-	-	-	-	11,200	-
4- Ausama Al-Khaja	5,000	3,450	-	8,450	-	-	-	-	-	8,450	-
Second: Non-Executive Directors:											
Third: Executive Directors:											
1-Mohammad Al-Ayoub	5,000	6,440	-	11,440	-	-	-	-	-	11,440	-
2-Abdulaziz Al-Sanad	5,000	7,168	-	12,168	-	-	-	-	-	12,168	-
3-Dr. Abdulaziz Al Dakheel	5,000	6,023	21,105	32,128	-	-	-	-	-	32,128	-
Total	60,000	45,261	21,105	126,366	-	-	-	-	-	126,366	-

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:

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

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

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	310,637	0	0	310,637

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)**



Mohamed 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 2023, 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 2023, 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 (Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 2023. 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 2023 amounts to US\$ 48.44 million and the related allowance for expected credit losses amounts to US\$ 23.70 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 and Impairment 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) Investments; ii) Investments in joint ventures and associates; and iii) Investments in real estate. <p>The above investments represent 77% of the Group's total assets. The valuation of investments along with investments in real estate and impairment of investments in joint ventures and associates involve 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 of recognition and impairment.</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 Chairman's Report and Shari'a Supervisory Board 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 Company'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 2023 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.

The Partner in charge of the audit resulting in this independent auditor's report is Nader Rahimi.



Auditor's Registration No: 115
20 February 2024
Manama, Kingdom of Bahrain

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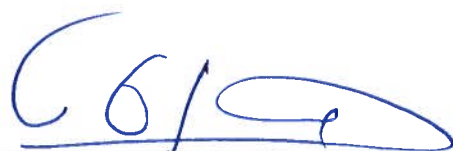
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 US\$ '000	2022 US\$ '000
ASSETS			
Cash and bank balances	5	17,960	17,819
Accounts receivable	6	24,743	20,626
Investments	7	9,650	14,788
Investments in joint ventures and associates	8	94,088	93,908
Investments in real estate	9	83,451	82,045
Property, plant and equipment	10	9,393	10,009
Other assets	11	3,369	977
Right of use asset	12	46	155
TOTAL ASSETS		242,700	240,327
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities and accounts payable	13	68,476	66,990
Ijarah liability	14	43	167
Financing from a bank	15	-	3,912
Total liabilities		68,519	71,069
Owners' Equity			
Share capital	16	120,334	120,334
Less: Treasury shares	16 & 18	(1,309)	(1,309)
		119,025	119,025
Reserves	17	7,322	6,782
Retained earnings		22,200	18,029
Equity attributable to Parent's equity shareholders		148,547	143,836
Non-controlling interests		25,634	25,422
Total owners' equity		174,181	169,258
TOTAL LIABILITIES AND OWNERS' EQUITY		242,700	240,327



Mohamed Hamed Al-Shalfan
Chairman



Mohamed Salah Al-Ayoub
Vice Chairman



Ahdan Mohammed Nahma
Acting 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 2023

	Notes	2023 US\$ '000	2022 US\$ '000
OPERATING INCOME			
Net income from construction contracts	19	206	873
Income from investments in real estate	20	4,176	4,387
Income from investments	21	3,327	65
Fee from management and other services	22	2,712	3,146
Share of net gain / (loss) from investments in joint ventures and associates	8	623	(1,015)
Other income	23	1,346	1,214
TOTAL OPERATING INCOME		12,390	8,670
OPERATING EXPENSES			
Staff costs	24	3,736	3,944
General and administrative expenses	25	2,188	2,249
Property related expenses		1,913	1,839
Depreciation	10	312	380
Financing costs		145	330
Net Ijarah cost	26	116	123
TOTAL OPERATING EXPENSES		8,410	8,865
NET OPERATING PROFIT / (LOSS)		3,980	(195)
Net (charge) / reversal of provision for expected credit loss	5 & 6	(727)	35
Net movement in provision for case compensation	13	1,593	1,267
PROFIT FOR THE YEAR		4,846	1,107
Attributable to :			
Equity shareholders of the Parent		4,634	923
Non-controlling interests		212	184
		4,846	1,107
BASIC AND DILUTED EARNINGS			
PER SHARE (US\$ cents)	27	1.56	0.31



 Mohamed Hamed Al-Shalfan
 Chairman



 Mohamed Salah Al-Ayoub
 Vice Chairman



 Adnan Mohammed Rahma
 Acting 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 2023

	<i>Equity attributable to Parent's shareholders</i>							
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Reserves</i>		<i>Total equity</i>	<i>Non-controlling interests</i>	<i>Total owners' equity</i>
				<i>Fair value through equity reserve</i>	<i>Retained earnings</i>			
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2023	120,334	(1,309)	4,743	2,039	18,029	143,836	25,422	169,258
Profit for the year	-	-	-	-	4,634	4,634	212	4,846
Transfer of fair value upon sale (17 b)	-	-	-	(62)	-	(62)	-	(62)
Unrealised fair value gain on investments (17 b)	-	-	-	139	-	139	-	139
Transfer to statutory reserve (note 17 a)	-	-	463	-	(463)	-	-	-
As at 31 December 2023	120,334	(1,309)	5,206	2,116	22,200	148,547	25,634	174,181
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Fair value through equity reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>	<i>Non-controlling interests</i>	<i>Total owners' equity</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
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
Unrealised fair value loss on investments (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

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 FUNDS

For the year ended 31 December 2023

	2023	2022
	US\$ '000	US\$ '000
Sources of charity funds		
Undistributed charity funds at the beginning of the year	21	24
Contributions for charitable purposes made by the Company	-	(3)
	<hr/>	<hr/>
Undistributed charity funds at end of year	21	21
	<hr/> <hr/>	<hr/> <hr/>

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 2023

	<i>Notes</i>	2023 US\$ '000	2022 US\$ '000
OPERATING ACTIVITIES			
Net profit for the year		4,846	1,107
Adjustments for:			
Depreciation	10	695	658
Net charge / (reversal) of provision for expected credit loss	5 & 6	727	(35)
Realised gain on sale of investment	21	(3,203)	-
Net reversal in provision for case compensation	13	(1,593)	(1,267)
Share of net (gain) / loss from investments in joint ventures and associates	8	(623)	1,015
Profit expense on murabaha		145	330
Net ijarah cost		116	123
Loss / (gain) on sale of investments in real estate	20	130	(579)
Write off during the year	6	(270)	(305)
		970	1,047
Net changes in operating assets and liabilities:			
Short-term deposits (with an original maturity of more than 90 days)		2,912	(2,765)
Accounts receivable		(4,656)	96
Other assets		(2,392)	(446)
Other liabilities and accounts payable		3,079	(866)
Ijarah payments	14	(131)	(121)
Net cash used in operating activities		(218)	(3,055)
INVESTING ACTIVITIES			
Proceeds from sale of investment		8,238	-
Proceeds from sale of investments in real estate		1,311	1,158
Distributions received from a joint ventures and associates	8	1,318	372
Purchase of investment in a joint ventures and associates	8	(875)	(247)
Additional capitalisation of investments in real estate	9	(2,847)	(3,100)
Purchase of property, plant and equipment	10	(79)	(2,306)
Proceeds from capital reduction for investments		240	166
Purchase of investments		(60)	(2,164)
Cash from / (used) in investing activities		7,246	(6,121)
FINANCING ACTIVITIES			
Settlement of commodity murabaha financing	15	(3,912)	(1,845)
Profit paid on murabaha financing		(145)	(330)
Net cash used in financing activities		(4,057)	(2,175)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		7,291	18,642
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	10,262	7,291
Non cash transactions comprise:			
Changes in unrealised gain / (loss) in investment fair value reserve	17	139	(174)

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

As at 31 December 2023

1 CORPORATE INFORMATION AND ACTIVITIES

a) Incorporation

Inovest B.S.C. (the "Company") is a public shareholding company incorporated in the Kingdom of Bahrain (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 2023. 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 2023 was 543 employees (31 December 2022: 650 employees).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors dated 20 February 2024.

As at 31 December 2023

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 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 2023	<i>Ownership 2022</i>	<i>Country of incorporation</i>	<i>Year of 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 2023

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

<i>Name of the subsidiary</i>	Ownership 2023	<i>Ownership 2022</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Activity</i>
Inoventures Company W.L.L.	100.00%	N/A	Kingdom of Bahrain	2023	Selling and buying shares and securities for company's account only.

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

<i>Name of the subsidiary</i>	Ownership 2023	<i>Ownership 2022</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 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 2023

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 2024 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.

FAS 45 Quasi - Equity (Including Investment Accounts)

AAOIFI issued FAS 45 "Quasi - Equity (Including Investment Accounts)" in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as Quasi - Equity, such as investment accounts and similar instruments invested with Islamic financial institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 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.

FAS 46 Off - Balance - Sheet Assets Under Management

AAOIFI issued FAS 46 "Off - Balance - Sheet Assets Under Management" in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with with the "AAOIFI Cenceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption

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

FAS 47 Transfer of Assets between Investment Pools

AAOIFI issued FAS 47 "Transfer of Assets between Investment Pools" in 2023. The objective of this standard is to establish the principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2026 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.

As at 31 December 2023

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, investments in real estate and investments in a joint ventures and associates.

Equity-type instrument at fair value through equity

This includes all equity-type instruments that are not fair valued through consolidated statement of income. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised in owners' equity until the investment is derecognised 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.

Non-monetary debt type instrument at fair value through equity

This includes all non-monetary debt 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 derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognised in consolidated statement of income.

Investment in real estate

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

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

Investment in joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint ventures. 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 ventures.

As at 31 December 2023

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

Under the equity method, investment in a joint ventures 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 ventures and associates. The consolidated statement of income reflects the Group's share of the results of operations of the joint ventures and associates. Where there has been a change recognised directly in the equity of the joint ventures 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 ventures and associates are eliminated to the extent of the interest in the joint ventures and associates.

The reporting dates of the joint ventures and associates and the Group are identical and the joint ventures 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 ventures and associates. The Group determines at each reporting date whether there is any objective evidence that investment in a joint venture or associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture and associates and its carrying value and recognises the impairment in the consolidated statement of income.

d. Fair values

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

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

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

e. Property, plant and equipment

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

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

As at 31 December 2023

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Other liabilities and accounts payable

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

g. Financing from a bank

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

h. Treasury shares

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

i. Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

(ii) Financial liabilities

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

j. Provisions

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

k. Amortised cost measurement

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

l. Offsetting

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

m. Revenue recognition

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

As at 31 December 2023

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Revenue recognition (continued)

(i) Income from investments 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 costs 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.

n. Shari'a Supervisory Board

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

o. Earnings prohibited by Shari'a

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

p. Foreign currencies

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Foreign currencies (continued)

Monetary assets and liabilities in foreign currencies are translated into United States Dollars at functional currency rates of exchange prevailing at the consolidated 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 consolidated statement of financial position date

The consolidated financial statements are adjusted to reflect events that occurred between the consolidated 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.

3.1 New standards, interpretations and amendments

The Group has adopted the following FASs which are effective as of 1 January 2023 as explained below.

FAS 39 "Financial Reporting for Zakah"

This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as applicable.

As at 31 December 2023

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretations and amendments (continued)

FAS 39 "Financial Reporting for Zakah" (continued)

The adoption of the above accounting standard did not have a significant impact on the consolidated financial statements of the Group as it is neither required by the Law nor by its constitution documents to pay Zakah.

FAS 41 "Interim Financial Reporting"

The standard prescribes the principles for the preparation of interim condensed financial information and relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by the AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS.

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.

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.

As at 31 December 2023

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of investments at fair value through equity

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

Special purpose entities

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

Impairment and uncollectibility of financial assets

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

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

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

Liquidity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

5 CASH AND BANK BALANCES

	2023	2022
	US\$ '000	US\$ '000
Short-term deposits (with an original maturity of 90 days or less)	6,631	1,483
Current account balances with banks	3,622	5,800
Cash in hand	9	8
	<hr/>	<hr/>
Total cash and cash equivalents	10,262	7,291
Short-term deposits (with an original maturity of more than 90 days)	7,748	10,660
Less: Provision for expected credit loss	(50)	(132)
	<hr/>	<hr/>
Total cash and bank balances	17,960	17,819
	<hr/> <hr/>	<hr/> <hr/>

Movements in the provision for expected credit loss:

	2023	2022
	US\$ '000	US\$ '000
At 1 January	132	161
Reversal during the year	(82)	(29)
	<hr/>	<hr/>
As at 31 December 2023	50	132
	<hr/> <hr/>	<hr/> <hr/>

6 ACCOUNTS RECEIVABLE

	2023	2022
	US\$ '000	US\$ '000
Amounts due from related parties (note 28)	12,985	13,154
Trade receivables	6,032	5,838
Rent receivable	1,488	1,311
Other receivables	27,938	23,484
	<hr/>	<hr/>
	48,443	43,787
Less: provision for expected credit losses	(23,700)	(23,161)
	<hr/>	<hr/>
	24,743	20,626
	<hr/> <hr/>	<hr/> <hr/>

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:

	2023	2022
	US\$ '000	US\$ '000
At 1 January	23,161	23,472
Write offs during the year	(270)	(305)
Charge / (write back) during the year	809	(6)
	<hr/>	<hr/>
As at 31 December 2023	23,700	23,161
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

7 INVESTMENTS

	2023	2022
	US\$ '000	US\$ '000
Investments in equity-type instruments - real estate*	7,660	12,798
Investments in non-monetary debt type instruments	1,990	1,990
	9,650	14,788

*Investment in equity-type instruments - real estate 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") countries. 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

	2023	2022
	US\$ '000	US\$ '000
At 1 January	93,908	95,048
Acquisitions during the year	875	247
Share of net gain / (loss)	378	(1,015)
Gain on bargain purchase	245	-
Distributions during the year	(1,318)	(372)
As at 31 December	94,088	93,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

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>2023</i>	<i>2022</i>		<i>2023</i>	<i>2022</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 Dannaat 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%	Kingdom of Saudi Arabia	40,000	40,082
Advance Project Group Holding W.L.L.	Manufacturing company for producing wood-plastic composites	45.00%	45.00%	State of Kuwait	3,518	3,245
Alghanim International Bahrain - Tamcon Contracting Co. JV	Construction	49.00%	49.00%	Kingdom of Bahrain	-	313
					43,518	43,640

Summarised financial information of joint ventures

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

	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Total assets	89,151	62,870
Total liabilities	27,337	2,669
Total net profit	1,617	611

The joint ventures had contingent liabilities or capital commitments to extend guarantees in Alghanim International Bahrain - Tamcon Contracting Co. JV of amounting US\$ 7,729 thousands as at 31 December 2023 (31 December 2022: US\$ 7,729 thousands).

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>2023</i>	<i>2022</i>		<i>2023</i>	<i>2022</i>
					<i>US\$ '000</i>	<i>US\$ '000</i>
Durrat Marina Investment Company Ltd.	<i>Development and sale of commercial and residential properties</i>	47.70%	46.49%	Cayman Islands	43,891	43,184
Takhzeen Warehousing and Storage Company B.S.C. (c)	<i>Management and maintenance of warehouses</i>	37.24%	37.24%	Kingdom of Bahrain	3,897	4,200
Boyot Al Mohandseen Contracting Company	<i>Development of real estate in Dhahran, Kingdom of Saudi Arabia</i>	23.17%	23.17%	Kingdom of Saudi Arabia	2,782	2,884
					50,570	50,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

8 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

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

	2023	2022
	US\$ '000	US\$ '000
Summarised financial information of associates		
Total assets	124,676	126,646
Total liabilities	9,316	9,263
Total net loss	(822)	(2,765)

The associates had no contingent liabilities or capital commitments as at 31 December 2023 and 31 December 2022.

9 INVESTMENTS IN REAL ESTATE

	2023	2022
	US\$ '000	US\$ '000
At 1 January	82,045	79,524
Additions during the year	2,847	3,100
Disposals during the year	(1,441)	(579)
As at 31 December	83,451	82,045

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\$ 104.49 million (31 December 2022: US\$ 105.48 million). However, due to the illiquid nature of the real estate market and slowdown within the economic environment, the Group's management believes the current carrying value of investments in real estate amounting to US\$ 83.45 million (31 December 2022: US\$ 82.04 million) approximates its fair value.

None of the Investments in real estate stated above (31 December 2022: 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 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 2023	10,122	12,780	1,737	2,312	26,951
Additions	2	53	14	10	79
Disposals	-	(6)	-	-	(6)
As at 31 December 2023	10,124	12,827	1,751	2,322	27,024
Accumulated depreciation					
At 1 January 2023	3,265	10,046	1,610	2,021	16,942
Charge	182	377	53	83	695
Disposals	-	(6)	-	-	(6)
As at 31 December 2023	3,447	10,417	1,663	2,104	17,631
Net book amount:					
As at 31 December 2023	6,677	2,410	88	218	9,393
At 31 December 2022	6,857	2,734	127	291	10,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2023	2022
	US\$ '000	US\$ '000
Depreciation charged to contract costs (note 19)	383	278
Depreciation charged to expenses	312	380
	695	658

11 OTHER ASSETS

	2023	2022
	US\$ '000	US\$ '000
Advances to contractors	1,250	591
Prepayments	251	381
Capital work in progress - reverse osmosis plant	1,868	5
	3,369	977

12 RIGHT OF USE ASSET

	2023	2022
	US\$ '000	US\$ '000
Cost at 1 January and 31 December 2023	328	328
Accumulated amortisation		
At 1 January	173	64
Charge for the year (note 26)	109	109
	282	173
Net book value at 31 December	46	155

13 OTHER LIABILITIES AND ACCOUNTS PAYABLE

	2023	2022
	US\$ '000	US\$ '000
Lease rent payables (note 13.1)	50,105	50,105
Accruals and other payables	7,835	5,698
Due to customers for construction contracts	2,034	3,293
Trade payables	7,024	4,940
Retentions payable	1,268	1,042
Amounts due to related parties (note 13.3 and 28)	210	113
Case compensation and other contingencies (note 13.2)	-	1,799
	68,476	66,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

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, the management has evaluated possible future claims against the Company and has assessed that no provisions are required for cases against the Group.

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

	2023	2022
	US\$ '000	US\$ '000
As at 1 January	1,799	3,389
Utilisation	(206)	(323)
Reversal	(1,593)	(1,267)
As at 31 December	<u>-</u>	<u>1,799</u>

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

	2023	2022
	US\$ '000	US\$ '000
As at 1 January	167	274
Amortisation of deferred ijarah cost (note 26)	7	14
Payments	(131)	(121)
As at 31 December	<u>43</u>	<u>167</u>
Within one year	43	135
After one year but not more than five years	-	32
Total	<u>43</u>	<u>167</u>

15 FINANCING FROM A BANK

	2023	2022
	US\$ '000	US\$ '000
Commodity murabaha financing	<u>-</u>	<u>3,912</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

16 SHARE CAPITAL

	2023 US\$ '000	2022 US\$ '000
Authorised		
375,000,000 (31 December 2022: 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 2022: 300,836,787) ordinary shares of US\$ 0.40 each	120,334	120,334
Treasury shares		
Less: 3,675,000 (31 December 2022: 3,675,000) treasury shares	(1,309)	(1,309)
Closing balance		
297,161,787 (31 December 2022: 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 2023

<i>Name</i>	<i>Incorporation</i>	<i>Number of shares</i>	<i>% holding</i>
Gulf Investment House	State of Kuwait	75,957,128	25.25%
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	182,747,471	60.75%
		300,836,787	100%

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%

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 2023

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 2023

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	55,413,099	672	18.42%
1% up to less than 5%	127,334,372	14	42.33%
5% up to less than 10%	42,132,188	2	14.00%
10% up to less than 50%	75,957,128	1	25.25%
	300,836,787	689	100%

At 31 December 2022

Categories:	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	60,514,308	714	20.12%
1% up to less than 5%	126,464,621	13	42.04%
5% up to less than 10%	42,132,188	3	14.00%
10% up to less than 50%	71,725,670	1	23.84%
	300,836,787	731	100%

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

	% of total outstanding shares	Number of shares
31 December 2023		
Abdulaziz Assad Alsanad	1.83%	5,508,188
Dr. Abdulaziz Fahad Dakheel	0.20%	600,000
		6,108,188
	% of total outstanding shares	Number of shares
31 December 2022		
Abdulaziz Assad Alsanad	0.19%	558,188
Dr. Abdulaziz Fahad Dakheel	0.20%	600,000
		1,158,188

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\$ 463 thousand has been made for the year ended 31 December 2023 (31 December 2022: US\$ 92 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

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 gain on investments for the year ended 31 December 2023 amounting to US\$139 thousand (31 December 2022: unrealised loss of US\$ 174 thousand) and transfer of fair value upon sale for the year ended 31 December 2023 amounting to US\$ 62 thousand (31 December 2022: US\$ nil).

18 TREASURY SHARES

Treasury shares represent 3,675,000 (31 December 2022: 3,675,000) shares amounting to US\$ 1,308,680 (31 December 2022: US\$ 1,308,680) representing 1.22% (31 December 2022: 1.22%) of the issued share capital, held by the Group.

19 NET INCOME FROM CONSTRUCTION CONTRACTS

	2023	2022
	US\$ '000	US\$ '000
Contract income	18,926	15,582
Contract costs	(18,720)	(14,709)
	206	873

Contract costs include depreciation amounting to US\$ 383 thousand (31 December 2022: US\$ 278 thousand).

20 INCOME FROM INVESTMENT IN REAL ESTATE

	2023	2022
	US\$ '000	US\$ '000
Rental income	4,306	3,808
Realised (loss) / gain on sale of investment in real estate	(130)	579
	4,176	4,387

21 INCOME FROM INVESTMENTS

	2023	2022
	US\$ '000	US\$ '000
Realised gain on sale of investment	3,203	-
Dividend income	124	65
	3,327	65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

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.

	2023	2022
	US\$ '000	US\$ '000
Property and facility management income	2,409	2,922
Financial advisory service charges	80	80
Other management services	223	144
	2,712	3,146

23 OTHER INCOME

	2023	2022
	US\$ '000	US\$ '000
Profit on short-term deposits	499	600
Electricity and water services	480	244
Others	367	370
	1,346	1,214

24 STAFF COSTS

	2023	2022
	US\$ '000	US\$ '000
Salaries and benefits	3,215	3,354
Other staff expenses	521	590
	3,736	3,944

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	US\$ '000	US\$ '000
Legal and professional fees	484	542
Rent, rates and taxes	345	395
Board member expenses	332	263
Regulatory fees	204	209
IT related expenses	220	208
Advertising and marketing	75	80
ESG expense	9	22
Directors professional liability insurance	55	81
Labour accommodation expenses	8	9
Travelling and transportation	97	72
Other expenses	359	368
	2,188	2,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

26 NET IJARAH COST

	2023	2022
	US\$ '000	US\$ '000
Amortisation of right of use asset (note 12)	109	109
Amortisation of deferred ijarah cost (note 14)	7	14
	116	123

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:

	2023	2022
	US\$ '000	US\$ '000
Income attributable to the equity shareholders of the Parent for the year	4,634	923

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

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

	31 December 2023				31 December 2022			
	Associates and joint ventures US\$ '000	Key management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Associates and joint ventures US\$ '000	Key management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Accounts receivable - gross	10,149	-	2,836	12,985	10,002	-	3,152	13,154
Provision	(2,998)	-	(2,409)	(5,407)	(2,998)	-	(2,409)	(5,407)
Accounts receivable - net	7,151	-	427	7,578	7,004	-	743	7,747
Investment in joint ventures and associates	94,088	-	-	94,088	93,908	-	-	93,908
Other liabilities and accounts payable	12	27	171	210	11	23	79	113

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

	31 December 2023				31 December 2022			
	Associates and joint ventures US\$ '000	Key management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000	Associates and joint ventures US\$ '000	Key management personnel/ Board members/ external auditors US\$ '000	Other related parties US\$ '000	Total US\$ '000
Income								
Fee from management and other services	207	-	-	207	207	-	-	207
Net share of gain / (loss) from investment in a joint ventures and associates	623	-	-	623	(1,015)	-	-	(1,015)
	830	-	-	830	(808)	-	-	(808)
Expenses								
Staff costs	-	1,604	-	1,604	-	1,857	-	1,857
General and administrative expenses	10	437	198	645	11	263	207	481
	10	2,041	198	2,249	11	2,120	207	2,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2023	2022
	US\$ '000	US\$ '000
Salaries and other benefits	1,646	1,857

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 2023				
	Investment and related services US\$ '000	Construction Contracts US\$ '000	Development and sale of industrial plots US\$ '000	Eliminations US\$ '000	Total US\$ '000
Net revenues from					
external customers	-	206	6,888	-	7,094
Inter-segment transactions	269	121	377	(767)	-
Income from investments	3,327	-	-	-	3,327
Net share of gain / (loss) from investment in joint ventures and associates (note 8)	202	475	-	(54)	623
Other income	30	671	645	-	1,346
Total revenue	3,828	1,473	7,910	(821)	12,390
Staff costs	2,020	1,212	504	-	3,736
General and administrative expenses	1,400	580	425	(217)	2,188
Property related expenses	318	-	2,026	(431)	1,913
Others	343	281	10	(61)	573
Total operating expense	4,081	2,073	2,965	(709)	8,410
Provisions reversal / (charge)	57	1,124	(315)	-	866
Segment (loss) / profit	(196)	524	4,630	(112)	4,846
Segment assets	390,857	40,241	155,165	(343,563)	242,700
Segment liabilities	136,156	15,379	53,293	(136,309)	68,519

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29 SEGMENTAL INFORMATION (continued)

	31 December 2022				
	<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	2,319	1,388	4,956	(257)	8,406
Inter-segment transactions	210	-	558	(768)	-
Income from investments	65	-	-	-	65
Net share of loss from					
investment in joint ventures and associates (note 8)	(858)	66	-	(223)	(1,015)
Other income	103	583	528	-	1,214
Total revenue	1,839	2,037	6,042	(1,248)	8,670
Staff costs	1,760	1,650	534	-	3,944
General and administrative expenses	1,281	723	450	(205)	2,249
Property related expenses	140	-	2,283	(584)	1,839
Others	547	339	10	(63)	833
Total operating expense	3,728	2,712	3,277	(852)	8,865
Provisions reversal / (charge)	1,254	(256)	304	-	1,302
Segment (loss) / profit	(635)	(931)	3,069	(396)	1,107
Segment assets	385,590	38,708	150,720	(334,691)	240,327
Segment liabilities	139,507	14,370	54,060	(136,868)	71,069

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:

	2023	2022
	US\$ '000	US\$ '000
Guarantees	6,739	8,972

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 2023, the carrying value of such assets is US\$ 73.52 million (31 December 2022: US\$ 96.64 million). The share of assets relating to non-controlling shareholders within the subsidiaries consolidated in the financial statements amounted to US\$ 27.09 million (31 December 2022: US\$ 26.70 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.

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.

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32 RISK MANAGEMENT (continued)

a) Credit risk (continued)

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

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 2023 US\$ '000	Gross maximum exposure 2022 US\$ '000
Bank balances	17,951	17,811
Accounts receivable	24,743	20,626
Commitments and contingent liabilities	10,526	12,759
Total	53,220	51,196

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.

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

	31 December 2023			31 December 2022		
	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	194,659	68,494	10,526	193,134	71,050	12,759
Other GCC countries	48,041	25	-	47,193	19	-
	242,700	68,519	10,526	240,327	71,069	12,759

	31 December 2023			31 December 2022		
	Assets US\$ '000	Liabilities US\$ '000	Contingent liabilities US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Contingent liabilities US\$ '000
Industry sector:						
Real estate	186,635	51,874	10,526	188,817	52,870	12,759
Non real estate	56,065	16,645	-	51,510	18,199	-
	242,700	68,519	10,526	240,327	71,069	12,759

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.

32 RISK MANAGEMENT (continued)

b) Market risk (continued)

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 2023 and 2022, 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\$ 483 thousand (2022: US\$ 739 thousand) and vice versa. However, if an investment is assessed to be impaired the same impact will affect the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

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 2023 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	17,906	54	-	-	-	-	-	-	17,960
Accounts receivable	9,411	1,135	2,278	3,352	2,276	348	-	5,943	24,743
Investments	-	-	-	-	9,650	-	-	-	9,650
Investment in joint ventures and associates	-	-	-	-	90,570	-	-	3,518	94,088
Investments in real estate	2,972	-	-	-	47,146	6,297	27,036	-	83,451
Property, plant and equipment	-	-	-	-	-	-	-	9,393	9,393
Right of use asset	11	22	13	-	-	-	-	-	46
Other assets	88	224	314	2,383	360	-	-	-	3,369
Total assets	30,388	1,435	2,605	5,735	150,002	6,645	27,036	18,854	242,700
LIABILITIES									
Other liabilities and accounts payable	9,539	2,642	1,682	1,748	7,450	8,290	37,125	-	68,476
Ijarah liability	11	22	10	-	-	-	-	-	43
Total liabilities	9,550	2,664	1,692	1,748	7,450	8,290	37,125	-	68,519
Net liquidity gap	20,838	(1,229)	913	3,987	142,552	(1,645)	(10,089)	18,854	174,181
Cumulative liquidity gap	20,838	19,609	20,522	24,509	167,061	165,416	155,327	174,181	
Contingencies and commitments	-	-	-	-	10,526	-	-	-	10,526

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As at 31 December 2023

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 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
Right of use asset	10	20	31	63	31	-	-	-	155
Property, plant and equipment	-	-	-	-	-	-	-	10,009	10,009
Other assets	61	164	485	134	133	-	-	-	977
Total assets	27,241	2,484	1,308	1,928	156,568	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	21,420	(586)	(2,178)	(2,234)	152,196	1,948	(19,451)	18,143	169,258
Cumulative liquidity gap	21,420	20,834	18,656	16,422	168,618	170,566	151,115	169,258	
Contingencies and commitments	-	-	-	-	12,759	-	-	-	12,759

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.

As at 31 December 2023

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 year's presentation. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.