

AJYAD
CAPITAL

RESILIENCE & ENDURANCE

ANNUAL REPORT 2023



Ajyad Capital B.S.C. (c)

37th Floor, Almoayyed Tower, Al Seef District
P.O. Box 11616, Manama, Kingdom of Bahrain
Tel: +973 17 565000
Email: info@ajyadcapital.com
clients@ajyadcapital.com

Principal Bankers and professional advisors

Principal Bankers

Al Salam Bank B.S.C., Kingdom of Bahrain
Bank of Bahrain & Kuwait B.S.C., Kingdom of Bahrain
Bahrain Islamic Bank B.S.C., Kingdom of Bahrain

External Auditors

KPMG Fakhro, Kingdom of Bahrain

External Legal Counsel

Elham Ali Hasan & Associates, Kingdom of Bahrain
Zu'bi & Partners, Kingdom of Bahrain
Zeenat Al Mansoori & Associates, Kingdom of Bahrain
Hammad & Al-Mehdar Law Firm, Kingdom of Saudi Arabia

www.ajyadcapital.com

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CORPORATE OVERVIEW

Ajyad Capital boasts a strong shareholder base comprised of high-net-worth individuals, business houses and institutions spanning the GCC countries and has been involved in executing investments worth more than US\$ 3.4 billion.

21 Years

Ajyad Capital has been operating as a trusted financial institution for over 21 years.

100 Years

Combined professional experience of our executive management.

Ajyad Capital B.S.C. (c) is an international Shari'ah compliant investment management firm founded in 2003. The firm boasts a strong shareholder base comprised of high-net-worth individuals, business houses and institutions spanning the GCC countries and has been involved in executing investments worth more than US\$ 3.4 billion. Through its wide network of international strategic partners and top-tier investment specialists, Ajyad Capital provides clients with a diverse range of alternative investments products.

Headquartered in the Kingdom of Bahrain and licensed by the Central Bank of Bahrain as an Islamic Investment Business Firm - Category 1, Ajyad Capital is committed to positively impact clients, the marketplace, and the community.

We value integrity, transparency, and professional excellence, while being a disciplined manager and delivering returns to our stakeholders. We strive to generate strong risk-adjusted returns by combining a robust fundamental approach with the broad investment experience of the management team. The firm harbors a culture that embraces innovation and encourages teamwork with integrated decision-making.



Vision

We aspire to be preeminent providers of alternative Shari'ah investments that support economic growth and contribute to improve quality of life.

Mission

To provide well informed and innovative Shari'ah investment solutions with attractive risk-adjusted returns.

FINANCIAL HIGHLIGHTS

Total Assets

US\$ 39.0m

Shareholders' Equity

US\$ 36.8m

Five Years Average Expenses Reduction

17%

Liquid Assets / Total Assets

27%

INVESTMENT FOCUS

Real Estate

Our strategy focuses on direct equity investments in income producing properties within the developed markets of North America & Europe. Our investment team works closely with international managers & operators to deliver stable distribution and attractive risk-adjusted total returns.

Private Equity

Our private equity strategies are sector focused with direct equity investment in technology and technology enabled services. We work closely with our partners leveraging on their expertise to invest in businesses with growth potential.

Private Debt

Ajyad Capital targets high performing Private Debt opportunities in developed markets and geographies within the Real Estate Credit sector to provide investors with attractive returns.

The Firm's strategic partnerships and proven strategy offer unique risk adjusted returns to satisfy various investor appetites and is an ideal avenue for portfolio diversification through alternative investments. Our focus is on utilizing our exclusive relationships to attain competitive and above average yields that meet or surpass market standards.

BOARD OF DIRECTORS REPORT

Recognizing the potential within our current investments, we have managed to enhance their performance and drive better value which translated to positive results to the bottom line and achieving net profits of US\$1.1 million, a significant turnaround from the net loss of US\$2.9 million recorded in the previous year.



Saeed Abdul Jalil Al Faheem
Chairman

Net Profit

US\$ 1.1m

Achieved net profits of US\$1.1 million, a significant turnaround from the net loss of US\$2.9 million recorded in the previous year.

I am pleased to present Ajjad Capital's Annual Report and Consolidated Financial Statements for the year ended 31 December 2023.

This report highlights our commitment to international best practice governance and the strategic direction set by the Board of Directors. The Board of Directors continues its active and responsible directives that are consistent with the values and interests of all relevant stakeholders.

In today's rapidly evolving financial landscape, it is essential for us to adhere to the highest standards of governance. We believe that a robust corporate governance framework is vital for building trust, ensuring transparency, and protecting the interests of our shareholders and all stakeholders. Ajjad Capital remains committed to upholding these principles in all aspects of our operations.

For Ajjad Capital to navigate the 2023 economic uncertainties, the Board of Directors has emphasized on the management to further focus on building a resilient firm that can stand current and future geopolitical and economic shocks. The Board has directed management to maintain its strong liquidity position, closer to the industry benchmark, which stands at 27% of total assets, and to continue with its strategic cost-cutting measures towards maintaining financial resilience. These measures have led to a significant reduction of 17% of expenses, as compared to the previous year.

In line with our commitment to maximizing value for our shareholders, the firm has further focused on enhancing the value of the investment portfolio. Recognizing the potential within our current investments, we have managed to enhance their performance and drive better value which translated to positive results to the bottom line and achieving net profits of US\$1.1 million, a significant turnaround from the net loss of US\$2.9 million recorded in the previous year. Our approach involved working closely with our investment partners and portfolio company management. By leveraging our expertise and experience, we identified opportunities for growth, operational improvement, and value creation. Through diligent management and proactive measures, we are confident in our ability to deliver favorable outcomes for our shareholders with a timely exit of these investments. The improvement in our investment portfolio financial performance had an unfortunate negative impact on our regulatory Capital Adequacy Ratio. This is now being actively addressed with initiatives to reduce portfolio concentration risk.

Furthermore, our strategic direction emphasizes the importance of aligning our investments with the changing market dynamics. We continue to monitor global trends and market developments to seize opportunities and mitigate risks. This forward-looking approach enables us to position ourselves strategically and adapt to evolving market conditions, ultimately enhancing our ability to generate sustainable returns.

At Ajjad Capital, we recognize that our success is built upon the trust and confidence placed in us by our shareholders and clients. We remain committed to maintaining open lines of communication and providing timely and transparent information about our activities and performance.

I would like to thank the outgoing Board member Eshaq Ebrahim Eshaq for his past dedication and valued contribution to the firm. Eshaq's commitment and expertise have been instrumental in shaping the strategic direction of Ajjad Capital. We wish him the very best in his future endeavors. I would also like to thank my fellow Board members for their active contributions and strategic guidance to the firm during the last year. I am grateful for the opportunity to work alongside such individuals with diverse perspectives that have enriched our decision-making processes.

I extend our appreciation to the Central Bank of Bahrain and Bahrain's Ministry of Industry and Commerce for their invaluable guidance and support throughout the year, enabling us to uphold the highest standards of regulatory compliance. We also thank our Shari'ah Supervisory Board for their guidance to adhere to Islamic principles and serve our clients in accordance with the ethical norms of Shari'ah law.

In conclusion, I would like to express my gratitude to our shareholders for their continued support and trust. I would also like to extend my appreciation to our dedicated team, whose hard work and commitment have contributed to our positive achievements in 2023.

BOARD OF DIRECTORS REPORT

(CONTINUED)

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 (all in USD):

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate Amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
1- Abdulaziz Al-Terki	-	7	-	-	7	-	-	-	-	-	-	-	-
2- Ahmed Saedan	-	7	-	-	7	-	-	-	-	-	-	-	-
3- Hasan Al Fardan	-	7	-	-	7	-	-	-	-	-	-	-	-
4- Waleed Al Saghyir	-	4	-	-	4	-	-	-	-	-	-	-	-
5- Eshaq Ebrahim Eshaq	-	0	-	-	0	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1- Saeed A J Al Faheem	-	4	-	-	4	-	-	-	-	-	-	-	-
2- Mohamed Al Faheem	-	4	-	-	4	-	-	-	-	-	-	-	-
Total	-	33	-	-	33	-	-	-	-	-	-	-	-

Other remunerations:

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

Second: Executive management remuneration details (all in USD):


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**	1,137	-	-	1,137

* The highest authority in the executive management of the company.

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



Saeed AJ Al Faheem
Chairman



In line with our commitment to maximizing value for our shareholders, the firm has further focused on enhancing the value of the investment portfolio. Recognizing the potential within our current investments, we have managed to enhance their performance and drive better value.

BOARD OF DIRECTORS



H.E. Mr. Saeed A J Al Faheem
Chairman



Dr. Abdulaziz Al-Terki
Vice Chairman



Mr. Mohammed Al Faheem
Board Member



Mr. Ahmad Saedan
Board Member



Mr. Hasan Al Fardan
Board Member



Mr. Waleed Al Saghyr
Board Member



Mr. Eshaq Ebrahim Eshaq
Board Member

BOARD OF DIRECTORS

CONTINUED

H.E. Mr. Saeed A J Al Faheem

Chairman

Non-Independent and Non-Executive Director

- Year of first appointment: 2004.
- 44+ years of business experience.
- Honorary Chairman: Al Fahim Group, UAE.
- Chairman: Mubarak & Brothers Property & Financial Investment LLC, UAE.
- Chairman: German Emirati Joint Council for Industry and Commerce (AHK), UAE.
- President of Sh. Khalifa Excellence Award (SKEA), UAE.

Educational qualifications

- Bachelor of Business Administration, Bowling Green University, USA.
- Honorary Doctorate in Business Administration, Shendi University, Sudan.

Mr. Mohammed Al Faheem

Board Member

Executive Director

- Year of first appointment: 2022.
- 23+ years of business experience.
- Group Head of Business Development: Al Fahim Group, UAE.
- Board Member: Makhazen Investments, UAE.
- Board Member: Rmal Hospitality, UAE.
- Board Member: Eshara Water, UAE.

Educational qualifications

- Bachelor of Science in Business Studies, Bath Spa University, UK.
- Master of Business Administration, IMD Laussane, Switzerland.

Mr. Hasan Al Fardan

Board Member

Independent Director

- Year of first appointment: 2022.
- 14+ years of business experience.
- Chief Executive Officer: Al Fardan Exchange, UAE.
- Chief Executive Officer: Al Fardan Group, UAE.
- Vice Chairman: GSCS Group of Companies, UAE.
- Chairman of Fintech Committee: FERG, UAE

Educational qualifications

- Bachelor of Business Administration, The American International University in London, UK.
- Master of Real Estate Finance and Investment, Henley Business School, University of Reading, UK.

Mr. Eshaq Ebrahim Eshaq

Board Member *Resigned in November 2023*

Independent Director

- Year of first appointment: 2017.
- 13+ years of business experience.
- Vice Chairman: Union Gulf Investment Company B.S.C. (c).
- Vice Chairman: Eshaq Investment Company W.L.L.
- Chairman: African & Eastern (Bahrain) W.L.L.
- Board Member: Bahrain Airport Services B.S.C. (c).

Educational qualifications

- Bachelor of Science in Business Administration with a specialisation in Finance, American University, USA.

Dr. Abdulaziz Al-Terki

Vice Chairman and Chairman of Board Audit Committee

Independent Director

- Year of first appointment: 2018.
- 28+ years of business experience.
- Chief Economic Research Officer: Burgan Bank Group, Kuwait.
- Advisor: The Supreme Counsel of Planning and Development, Ministry of Finance, Ministry of Oil, Kuwait.
- Member: Kuwait Economic Society, Kuwait.
- Founding Member: Kuwait Strategic Planning Society, Kuwait.

Educational qualifications

- Bachelor of Business Administration, University of Northern Colorado, USA.
- Master of Information Studies, Kuwait University, Kuwait.
- PhD in Management, American University, UK.

Mr. Ahmad Saedan

Board Member

Independent Director

- Year of first appointment: 2022.
- 22+ years of business experience.
- Vice Chairman: Gulf Real Estate Company, KSA.
- Chairman: Al Olaya Real Estate Company, KSA.
- Board Member: Emirates Industrial Cities Company, UAE.
- Board Member: Al Saedan Real Estate Company, KSA.

Educational qualifications

- Master of Business Administration, London Business School, UK.
- Bachelor of Finance, King Fahd University of Petroleum and Minerals, KSA.
- Diploma in Personal Financial Planning, Institute of Banking (in cooperation with Dalhousie University in Canada), KSA.

Mr. Waleed Al Saghyir

Board Member

Independent Director

- Year of first appointment: 2022.
- 30+ years of business experience.
- Chairman: Qudurat Al Arabia Holding Company, KSA.
- Board Member: Minwal Electro-Mechanic Company, KSA.
- Chairman: Maskan Al Arabia Company, KSA.
- Board Member: Blominvest, KSA.

Educational qualifications

- Bachelor of Business Administration, King Saud University, KSA.
- Master of Business Administration, American University of Beirut, Lebanon.

CORPORATE GOVERNANCE

The Board of Directors is responsible for the overall governance of the Firm through continuous review and adherence to international best practice and standards.

The Board determines the Firm's strategy, provides direction to the Executive Management, ensures that the control framework is functioning in accordance with best practice and monitors Executive Management's performance

Board of Directors

The Board meets regularly throughout the year in order to control strategic, financial, operational, internal control and compliance issues.

As at 31 December 2023, the Board of Directors was comprised of six (6) Directors.

Board Terms and Start Date of Current Term

All the current members of the Board of Directors were appointed on 30 March 2022. They hold their office for a term of three (3) years.

Induction, Orientation and Training of New Directors

The Chairman of the Board ensures that each newly appointed director receives a formal and tailored induction to ensure his contribution to the Board from the beginning of his term. The induction process includes:

- a. Meetings with senior management;
- b. Visits to the Firm's facilities;
- c. Presentations regarding strategic plans;
- d. Significant financial, accounting and risk management issues;
- e. Compliance programmes;
- f. Meetings with internal and external auditors and legal counsel (as required); and
- g. Familiarisation with Corporate Governance Guidelines.

Written Code of Ethics and Business Conduct

The Firm has documented a Code of Conduct, including a code applicable to the Directors.

The Firm also maintains a board-approved policy on the employment of relatives of employees, including but not limited to Approved Persons, which prohibits the employment of relatives up to the second degree of kinship with exceptions only being made in extraordinary circumstances at the CEO's discretion.

The aforementioned documents are available with the management and can be provided to the shareholders on request.

Firm's Code of Ethical Business Conduct

The Board establishes corporate values for itself, senior management, and employees. These values have been communicated throughout the Firm, so that the Board and senior management and staff understand their accountabilities to the various stakeholders and fulfill their fiduciary responsibilities to them.

Firm's ethics dictate that a Board Member should:

1. Not enter competition with the Firm;
2. Not demand or accept substantial gifts for himself or his associates;

3. Not take advantage of business opportunities to which the Firm is entitled for himself or his associates;
4. Report to the Board any conflict of interest in their activities with, and commitments to other organisations. In any case, all Board Members declare in writing all of their other interest in other enterprises or activities (whether as a shareholder, manager, or other form of participation) to the Board (or the Board Audit Committee) on an annual basis;
5. Absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject or proposed transaction where a conflict of interest exists; and
6. Ensure, collectively with the Board, that systems are in place to ensure that necessary client confidentiality is maintained and the privacy of the organisation itself is not violated, and that clients' rights and assets are properly safeguarded.

During 2023, there have not been any cases of conflict of interest in the Firm.

Election System of Directors

The new members are inducted to the Board of Directors through a nomination process on a three-year renewable term. With the exception of the board members appointed as representatives of Alfahim, new members are nominated by the Board, and then later approved by the General Assembly Meeting of the Firm. The Central Bank of Bahrain then approves the nominations for their term.

Monitoring Compliance to and Enforcement of Code of Conduct

The matters covered in the Code of Conduct are of the utmost importance to the Firm, its stakeholders and its business partners and are essential to the Firm's ability to conduct its business in accordance with its stated values. The Firm clearly communicates to all of its employees that they are expected to adhere to these rules in carrying out their duties for the Firm.

The Board, through independent evaluators (i.e. Internal Auditor) and Senior Management, continuously monitor adherence to the set Code of Conduct and take appropriate action against any employee whose actions are found to violate these policies or any other policies of the Firm. Disciplinary actions may include immediate termination of employment or business relationship at the Firm's sole discretion. Employees are prohibited from participating in or concealing criminal activity or illegal behavior. Any incidence of non-compliance will be presented to the Board as soon as possible.

Material Transactions that Require Board Approval

They include all transactions above the threshold determined (as per the discretionary transaction limits) in the nature of non-capital business expenditure, capital expenditure, investment due diligence, investment acquisition and disposal, and marabaha/wakala placement and rollover.

Assessment of Directors

The Board of Directors, its committees and individual directors annually assess their effectiveness and contributions.

CORPORATE GOVERNANCE

CONTINUED

Conflict of Interest

Annual Disclaimers of potential conflict of interest have been circulated to the Board of Directors and senior management. Should any conflict of interest arise, the concerned member of the Board of Directors or senior management will declare his interest in the matter under discussion and will absent himself from any vote on the matter.

The Board of Directors

The Board of Directors are required to meet at least four times a year, either in person, or via teleconference or video conference. The Board met four (4) times during the year and the following table shows the dates and attendance details:

BOARD MEETINGS

Date & location of meeting	Names of Directors present	Names of Directors who joined by phone /video link	Names of Directors not present
01-03-2023 Held by Teleconference	-	1. Saeed AJ Al Faheem 2. Mohammed Al Faheem 3. Hasan Al Fardan 4. Waleed Al Saghyir	1. Abdulaziz Al-Terki 2. Eshaq Ebrahim Eshaq 3. Ahmad Saedan
10-05-2023 Manama, Kingdom of Bahrain	1. Saeed AJ Al Faheem 2. Abdulaziz Al-Terki 3. Mohammed Al Faheem 4. Ahmad Saedan 5. Waleed Al Saghyir		1. Eshaq Ebrahim Eshaq 2. Hasan Al Fardan
18-09-2023 Held by Teleconference	-	1. Saeed AJ Al Faheem 2. Abdulaziz Al-Terki 3. Eshaq Ebrahim Eshaq 4. Mohammed Al Faheem 5. Ahmad Saedan 6. Hasan Al Fardan 7. Waleed Al Saghyir	1. Eshaq Ebrahim Eshaq
27-11-2023 Abu Dhabi, United Arab Emirates	1. Saeed AJ Al Faheem 2. Abdulaziz Al-Terki 3. Mohammed Al Faheem 4. Ahmad Saedan 5. Hasan Al Fardan 6. Waleed Al Saghyir	-	

CORPORATE GOVERNANCE

CONTINUED

Compliance with CBB's High-Level Controls Module requirements

The Firm regularly monitors compliance with the provisions of the High-Level Controls (HC) Module of the Rulebook issued by the Central Bank of Bahrain relating to the roles and responsibilities of the Board of Directors, Board Committees, Disclosure Requirements and Management Strategy. The Comply or Explain Principle Report was revised to include CBB's amendments during 2023 and accordingly, the Firm has complied with the HC module requirements except for the following:

Reference	HC Module Rule (R) / Guidance (G)	Requirement	Complied With? (Yes/No)	Explanation
HC-1:		BOARD'S OVERALL RESPONSIBILITIES		
HC-1.3		Oversight of Senior Management		
HC-1.3.1	R	(f) Ensure that appropriate succession plans are in place for all approved persons within senior management (provided that such plans are subject to review in case of any changes to approved persons within senior management).	No	Due to current size and operations, this is not documented. Relevant vacancies and interim arrangements have been discussed with and approved by the CBB, as relevant. As the Firm grows and vacancies are filled, a succession plan will be created.
HC-3		Board's Structure and Practices		
HC-3.1.8	R	Individual board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively (see table below). Voting and attendance proxies for board meetings are prohibited at all times.	No	One director did not meet this requirement for 2023 Director in question did not meet the required number of meetings and subsequently resigned his position.
HC-3.5		Risk Committee		
HC-3.5.1	G	Where a Bahraini investment firm licensee establishes a Board risk committee, such committee should have at least three directors of which the majority, including the chairperson should be independent. In addition, the committee members should have experience in risk management issues and practices and have no conflict of interest with any other duties they may have.	No	The Firm's current operations do not warrant the formation of a Risk Committee in line with this guidance. Matters relating to Risk are discussed at the Audit Committee Level.
HC-3.6		Remuneration Committee		
HC-3.6.1	G	Where a Bahraini investment firm licensee establishes a Board remuneration committee, such committee should have at least three directors.	No	The Firm's current operations do not warrant the formation of a Remuneration Committee in line with this guidance. Matters relating to Remuneration are handled within the stipulated Delegated Authority Limits by Management, Audit Committee or Board accordingly.
HC-3.7		Corporate Governance Committee		
HC-3.7.2	G	The Board should establish a corporate governance committee for developing and recommending changes from time to time in the licensee's corporate governance policy framework. Such committee should have at least three directors of which the majority should be independent.	No	The Firm's current operations do not warrant the formation of a Corporate Governance Committee in line with this guidance. Matters relating to Corporate Governance are handled by the Audit Committee or Board accordingly.
HC-9		Islamic Investment Firm Licensees		
HC-9.1		Governance and Disclosure per Shari'ah Principles		
HC-9.1.5	G	The Corporate Governance Committee established under Chapter HC-9 shall comprise at a minimum of: (a) An independent director to chair the Corporate Governance Committee. The Chairman of the Corporate Governance Committee should not only possess the relevant skills, such as the ability to read and understand financial statements, but should also be able to coordinate and link the complementary roles and functions of the Corporate Governance Committee and the Audit Committee; (b) A Shari'ah scholar who is an SSB member for the purpose of leading the Corporate Governance Committee on Shari'ah-related governance issues (if any), and also to coordinate and link the complementary roles and functions of the Corporate Governance Committee and the SSB; and (c) An independent director who can offer different skills to the committee, such as legal expertise and business proficiency, which are considered particularly relevant by the Board of directors for cultivating a good corporate governance culture, and deemed "fit and proper" by the CBB.	No	The Firm's current operations do not warrant the formation of a Corporate Governance Committee in line with this guidance. Matters relating to Shari'ah Governance are handled by the SSB.

CORPORATE GOVERNANCE

CONTINUED

Directors' responsibility for Audited, Consolidated, Financial Statements (AFS)

The Board is responsible for the Audited Consolidated Financial Statements (AFS), which accurately disclose the Firm's financial position. The Board has delegated the responsibility of the preparation of accurate financial statements to the Board Audit Committee. In addition, the Firm has instituted appropriate systems and controls, including internal audit, to ensure regular financial reporting, disclosures and monitoring.

Board Committees

The Firm has established one (1) Board sub-committee and a Shari'ah Supervisory Board, comprising expert independent Shari'ah scholars to assist in expeditiously and effectively discharging its responsibilities. This structure ensures appropriate oversight by the Board of Directors, while permitting efficient day-to-day management of the Firm. The minimum number of meetings for Board sub- committees is four (4) per annum.

The members as at 31 December 2023 and summary terms of reference were as follows:

Board Audit Committee

Dr. Abdulaziz Al-Terki, Chairman

Mr. Hasan Al Fardan, Member (term commenced 30 March 2022)

Mr. Ahmad Saedan (term commenced 30 March 2022)

Assists the Board in reviewing the integrity of the financial statements, compliance with legal and regulatory requirements, the Firm's internal audit function and the independent auditor's qualifications, independence and performance.

The Board Audit Committee is required to meet at least four (4) times a year. The Members met four (4) times in 2023. The following table shows dates and attendance details of the Board Audit Committee meetings during the year.

Board Audit Committee meetings

Date & location of meeting	Names of Directors present	Names of Directors who joined by phone /video link	Names of Directors not present
09-02-2023 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-
12-06-2023 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-
11-09-2023 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-
20-11-2023 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-

CORPORATE GOVERNANCE

CONTINUED

Independent Shari'ah Supervisory Board

Being an Islamic Investment firm, Shari'ah Supervisory Board regularly reviews all investment products and business activities to ensure compliance with Islamic Shari'ah principles, approves the Firm's financial statements and participates with management in the development of suitable investment products and services. Ajyad's Shari'ah Supervisory Board comprises three prominent Bahraini Islamic scholars who provide the Firm with pragmatic Islamic opinions.

Brief biographies are as follows

Sheikh Doctor Nedham Yaqoobi

Sh. Dr. Nedham Yaqoobi is one of the leading scholars in the Islamic Finance segment. Also, he is a member of many local and international Islamic Supervisory Boards of institutions, including the Centralized Shari'ah Supervisory Board at the Central Bank of Bahrain, AAOIFI Shari'ah Council, and many more. During his flourishing career, he has earned many academic honorary certificates, awards and degrees.

Sheikh Doctor Osama Bahar

Sh. Dr. Osama Bahar holds a Doctorate from Lahaye University in the Netherlands, a Master's Degree from Al Emam Al Awzae University in Lebanon and a Bachelor's degree in Islamic Shari'ah from Prince Abdul Qader Al Jaazaeri University of Islamic Studies in Algeria. Currently, he is a Shari'ah member at First Energy Bank, Ithmaar Bank, Al Salam Bank, and Bahrain Bourse.

Sheikh Doctor Abdul Nasser Al Mahmood

Sh. Dr. Abdul Nasser holds a Doctorate from International Islamic University, Malaysia, a Master's in Business Administration from the Gulf University and is working on a thesis in Shari'ah Control and Review in Islamic banks. He also holds a Bachelor's degree in Shari'ah and Islamic Studies from Qatar University and an Advanced Diploma in Islamic Commercial Jurisprudence from Bahrain Institution of Banking Finance. He is a member of the Islamic Supervisory Board of Ebdaa Bank, Eskan Bank, and Bahrain Development Bank. Also, he works as an Executive Manager in the Shari'ah Coordination and Implementation department at Khaleeji Commercial Bank.

Investments

The Investment Department is responsible for investment and asset management activities including origination, evaluation, structuring and execution of investments and obtaining the required internal and regulatory approvals for real estate, private equity, and private debt. The department also manages portfolio companies and exits investments. It develops investments and asset allocation strategies and policies and undertakes due diligence and documentation in conjunction with consultants, partners, accounting firms and law firms.

The Investment Department works closely with the Legal, Risk, Shari'ah and Compliance departments to ensure controls and policies are complied with in the execution and management of investments. In addition, the department is responsible for investor reporting.

Client Solutions

The department is responsible for maintaining close relations with investors and placing Ajyad's investment offerings with sophisticated investors. Whilst mandated with the responsibility of maximising investment placement, the department ensures that every investment placed with investors is consistent with the investment objectives and risk tolerance of those investors. Moreover, in order to achieve best practice governance within the framework of the ethical and regulatory requirements of the Central Bank of Bahrain, investments are placed with only those investors who have provided the detailed "Know Your Customer" (KYC) documents and have complied with all legal formalities associated with the placement of each investment.

Support, Administration & Internal Controls

The business departments and executive management of the Firm are supported by a network of well-structured and staffed departments, as follows:

- Finance Department
- Compliance, AML Department
- Internal Audit Department (Outsourced)
- Support Services, including Human Resources, Administration, Information Technology and Corporate Communications Department

Firm's operations and transactions are subjected to commensurate controls, checks and balances and segregation of duties to ensure that each transaction is originated, approved, executed and accounted for in conformity with, not only Shari'ah standards, but also best practice.

For example, to ensure strong segregation of duties, the Firm's operations are structured to ensure that no employee can originate, execute and account for a transaction. At least two individuals are involved in each transaction, including two signatories on every funds transfer. Each transfer is approved and executed in accordance with "Levels of Authority" approved by the Board of Directors.

Department Heads report to the Chief Executive Officer. There are two exceptions to ensure objectivity and independence from Executive Management: the Head of Compliance and Risk Management Department and the Head of Internal Audit Department report to the Chairman of the Audit with an administrative reporting to the Chief Executive Officer. The duties of all staff are clearly defined in detailed job descriptions which are reviewed from time to time to ensure conformity with the current requirements of the business.

Being an Islamic Investment Business Firm, Ajyad must ensure that all its activities are in compliance with Shari'ah principles. Compliance is achieved through the adoption of policies and procedures that are Shari'ah compliant and through regular discussions with members of the Shari'ah Supervisory Board who review the documentation relating to the Firm's transactions. Consultants perform regular reviews of the Firm's activities and have confirmed that the Firm is Shari'ah compliant.

CORPORATE GOVERNANCE

CONTINUED

Compensation & Incentive Structures

The Directors may recommend for themselves an annual retainer fee that is approved at the subsequent Annual General Meeting. Plus reimbursement of their travel and accommodation expenses in connection with attending Board meetings. The members of the Shari'ah Supervisory Board receive a flat fee that the Board of Directors approves annually, and a fee for each meeting attended and reimbursement of their actual travel and accommodation expense. The Board and the Chief Executive Officer agree the annual salaries of all other employees. All staff are eligible to participate in the discretionary annual bonus pool which is awarded on the basis of achievement of both corporate and individual goals.

Other benefits are payable to employees in line with normal industry practice and are approved in aggregate by the Board of Directors.

An allocation for a staff stock option scheme was approved by the General Assembly. The scheme is yet to be implemented.

Management Committees

The Board has established two governance committees, namely the Executive Management Committee and Management Investment Committee. These committees comprise senior management and heads of departments who are best qualified to make decisions on issues such as funding, asset utilisation, IT, investment acquisition/exist, and management of all types of risks, including market, credit, liquidity and operational risks. The members as at 31 December 2023 and the summary terms of reference are as follows:

Executive Management Committee

Mr. Suhail Hajee, Chairman

Ms. Sawsan Al Ansari

Ms. Eman Ali

Mr. Murtadha Ghulam

Mr. Naif Sahwan

Mr. Yasser Al Maskati

Monitors the execution of the strategic business plan, provides a forum to assimilate viewpoints, adopt best practices in the management of the Firm and provides guidelines to carry out the day-to-day affairs of the Firm, within the overall approved procedures laid down by the Board.

Management Investment Committee

Mr. Suhail Hajee, Chairman

Mr. Murtadha Ghulam

Manages the investment portfolio, makes recommendations on proposed investments, exits and approves the final share allocation to investors.

CORPORATE GOVERNANCE

CONTINUED

Senior Management

Mr. Suhail Mohamed Hajee, Chief Executive Officer

Joined the Firm on 25 November 2018, Mr. Hajee has more than 34 years of banking and investment experience. Prior to joining the Firm, Suhail worked as Executive Director for Arqam Capital in Dubai, also served in senior management positions at Bank of Bahrain and Kuwait in Bahrain and Dubai and serves as board member of a number of other firms.

Mr. Hajee holds an MBA from McGill University, Montreal and Bachelor of Computer Engineering from Concordia University, Montreal.

Ms. Sawsan Al-Ansari, Head of Support Services

Joined the Firm on 01 June 2009, Ms. Al-Ansari has more than 41 years of experience in finance and banking sector. Prior to joining the Firm, Sawsan worked for United Gulf Bank and American Express, Bahrain.

Ms. Al-Ansari a Diploma degree in civil engineering from Gulf Technical College of Bahrain and a Bachelor of Fine Arts from the Fine Arts College of Zamalek, Egypt.

Ms. Eman Ali, Head of Compliance and MLRO, Interim Board Secretary

Joined the Firm on 26 April 2023, Ms. Ali has 18 years of experience in Compliance and Internal Audit. Prior to joining the Firm, Eman worked for Batelco Financial Services Bahrain.

Ms. Ali holds Bachelor's degrees in Business Information from AMA University, Bahrain and is Chartered Accounting Technician, has an International Diploma in Compliance.

Mr. Naif Sahwan, Director – Finance

Joined the Firm on 16 September 2019, Mr. Sahwan has over 23 years of experience in banking and finance. Prior to joining the Firm, Naif worked with Seera Investment Bank and First Leasing Bank.

Mr. Sahwan holds a Master's degree from the Manchester Business School and is a fellow of the Chartered Institute of Management Accountants, UK.

Mr. Murtadha Ghulam, Principal - Investment

Joined the Firm on 12 October 2005, Mr. Ghulam has 18 years of experience in Islamic banking. Prior to joining the Firm, Murtadha worked for Alkhaeej Development Company and Alinam Real Estate Investments.

Mr. Ghulam holds Bachelor's degree in Accounting and Finance from University of Bahrain.

Mr. Yasser Al Maskati, Director - Client Solutions

Joined the Firm on 15 February 2020, Mr. Al Maskati has around 33 years of experience in investment banking, wealth management and relationship management across the region. Prior to joining the Firm, Yasser worked as a Director for Alpine Wealth Management Company.

Mr. Al Maskati attended business school at St. Edward's University - Austin, Texas. He also holds Series 7 and 3 from the NASD.

Mr. Sayed Husain Mahdi Alawi, Principal - Information Technology

Joined the Firm on 22 January 2006. Mr. Alawi has over 18 years of experience in Information Technology and held several network administrator positions in different companies in Kingdom of Bahrain.

Prior to joining the Firm, Sayed Husain worked as Network Manager in Business Communications Services.

Charitable Contributions

The Firm made Nil contributions and donations to Bahraini charities in 2023.

Non-Shari'ah Income

Any income derived from any investment or business that does not conform to Shari'ah principles is considered to be Non-Shari'ah income arising in the course of the business. It is donated through charitable organisations.

For the year 2023, there was no Non-Shari'ah income for the Firm.

CORPORATE GOVERNANCE

CONTINUED

Review of Internal Control Process and Procedures

The Board is fully aware that the system of internal control cannot eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an on-going process of managing significant risks faced by the Firm and reviewing the system of internal control for the year under review. The key elements are described below:

- Formal organisation structure that clearly defines the framework for the line of reporting and hierarchy of authority
- Policies and Procedures Manual on key activities that lay down the objective, scope, policies and operating procedures for the Firm, which are subject to regular review and improvement.
- Regular internal audit visits to departments within the Firm to ensure compliance with the Firm's Policies and Procedures, and to review effectiveness of internal control systems.
- Clearly defined authorisation limits at appropriate levels are set out for controlling and approving capital expenditure and expenses.
- Regular Senior Management meetings are held to discuss and resolve major issues arising from business operations.

- Quarterly meetings for the Board Audit Committee and the Board are held to discuss internal audit reports, periodic financial statements and issues that warrant Audit Committee and Board attention; in respect of risk management framework, the Board Audit Committee was tasked to evaluate, monitor and manage the risks that may impede the achievements of the Firm's business objectives

Minor internal control weaknesses were identified during the year of review. None of the weaknesses have resulted in any material losses, contingencies or uncertainties.

Nature and approval process of related party transactions

The balance with related parties mainly comprises investments in associates. Associates are the companies where the Firm holds 20% or more of the share capital by way of direct investment or investment through Special Purpose Vehicles in its ordinary course of business.

Such investments also go through the same approval processes as required for all investments of the Firm.

Transactions with related parties in 2023 (included in Note 16 of the consolidated financial statements) mainly comprise of share of loss from associates and remuneration paid to the Board and key management members.

CORPORATE GOVERNANCE

CONTINUED

Departmental Structure (as at 31 December 2023)

EXECUTIVE MANAGEMENT	
Suhail Hajee	Chief Executive Officer
INVESTMENT	
Murtadha Ghulam	Principal
FINANCE	
Naif Sahwan	Director
COMPLIANCE AND AML	
Eman Ali	Head
RISK MANAGEMENT	
Board Audit Committee	
BOARD SECRETARY	
Eman Ali	
SUPPORT SERVICES	
Sawsan Al-Ansari	Head
INFORMATION TECHNOLOGY	
Sayed Hussein Mahdi	Principal
CLIENT SOLUTIONS	
Yasser Al Maskati	Head
INTERNAL AUDIT (Outsourced)	
BDO Jawad Habib	

CORPORATE GOVERNANCE

CONTINUED

Ownership Details of the Firm

The following table shows the distribution of ownership of the Firm by nationalities as on the reporting date.

Country	Number of shareholders	Number of shares	Percentage
Kingdom of Bahrain	7	774,734	2.2%
State of Kuwait	39	5,297,278	15.4%
State of Qatar	11	2,231,920	6.5%
Kingdom of Saudi Arabia	34	9,299,491	27.0%
United Arab Emirates	19	16,847,070	48.9%
Total	110	34,450,493	100%

No directors and senior managers of the Firm personally own any shares in the Firm as on the reporting date.

The following table shows the distribution of ownership by size of shareholding in the Firm as on the reporting date.

Shareholding size	Number of shareholders	Number of shares	Percentage
Above 5% ownership	1	8,260,512	24.0%
Less than 5% ownership	109	26,189,981	76.0%
Total	110	34,450,493	100.00%

* Shareholders that have holding above 5% of the Firm's shares are Al Fahim Group, UAE.

There was no trading in the Firm's shares by directors and senior managers of the Firm during the year. There are no shareholdings in the Firm by the Bahrain Government or any other Governments.

CORPORATE GOVERNANCE

CONTINUED

Remuneration of Board Members

Except for sitting fees an amount of US\$ 33,000 for attending meetings, no remuneration was paid to Board members for the year 2023.

Remuneration of Shari'ah Supervisory Board Members

The sitting fees and the remuneration paid to Shari'ah Supervisory Board Members for the year 2023 US\$ 38,000 (2022: US\$ 40,400)

Fees paid to External Auditors

For the year 2023, the Firm paid its external auditor BHD 28,600 (2022: BHD 21,600) as audit fees, and BHD 8,229 (2022: BHD 7,460) for non-audit services including required regulatory reviews and VAT-related services.

Reasons of change or reappointment of Auditors

The Board Audit Committee recommended the reappointment of the Firm's external auditors for 2023 as their work has been of a sufficiently high standard.

Fines paid to regulator

During the year 2023, the Firm did not pay any penalties.

Communications Strategy

The Firm maintains a website, www.ajyadcapital.com which contains the last ten years of annual financial data.

It also contains a profile of the Firm, details of the principal products and services, profiles of the Board of Directors, senior managements and regular press releases concerning investment transactions and other developments.

Client Enquiries and Complaints

The Client Solutions Department maintains a log of client complaints and the Firm's formal responses thereto. When a complaint is received, a brief summary is shared with the relevant department following which a draft response is prepared by the Client Solutions Department.

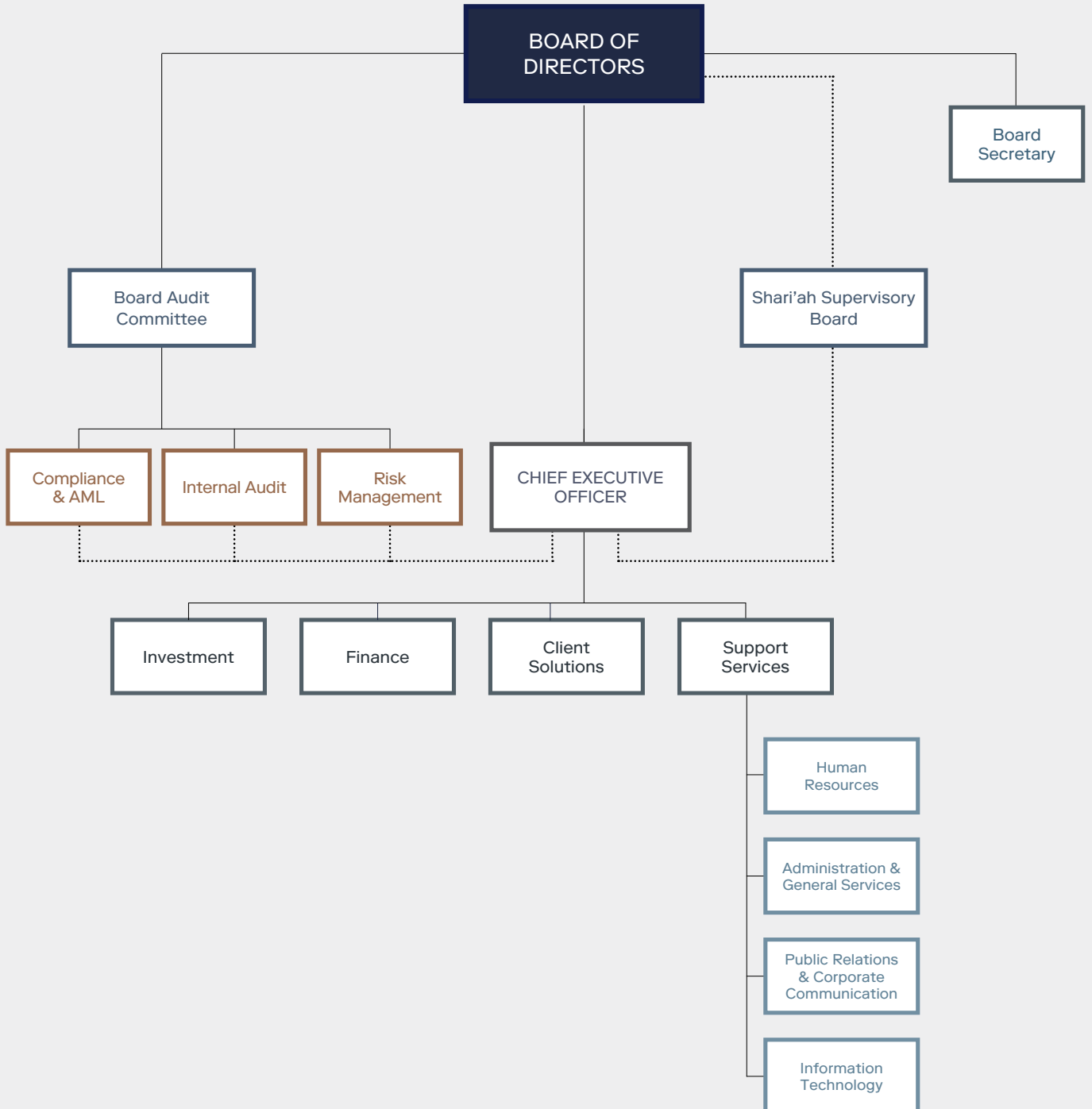
Client enquiries are made to the relevant department by email to: clients@ajyadcapital.com

Additional Governance Controls

The Board has approved a number of policies, which are communicated to management and all staff. These cover subjects including anti-money laundering, ethical behaviours, personal conduct, financial control, human resources and business continuity.

Corporate governance is also supported by the ongoing reviews performed by the Internal Audit Department and the External Auditors. The reviews confirm that the policies and internal control procedures conform to best practice and are being fully complied with by management and staff.

ORGANISATIONAL STRUCTURE



CHIEF EXECUTIVE OFFICER'S MESSAGE

Ajyad Capital remains steadfast in its commitment to optimizing our existing investment portfolio and driving value for our stakeholders. We will continue to work closely with our investment partners and portfolio company management to navigate the challenges presented by the international market.



Suhail Mohamed Hajee
Chief Executive Officer

A series of economic and geopolitical events have built on for the fourth year in a row, exacerbating volatility and increasing risk.

Amidst these challenging environments, the board of directors examined the broader strategic situation and guided the management to focus on our existing investment portfolio while carefully assessing new opportunities towards developing a more resilient Firm. We recognize the importance of maximizing value from these investments and have taken proactive measures to drive better outcomes. Our approach involves working closely with our investment partners and portfolio company management to enhance performance and unlock potential opportunities.

I am pleased to report that the strategic decision made by the Board of Ajyad Capital has yielded positive results for our firm in 2023. As a result of our focused efforts to enhance the value of our investment portfolio, we have witnessed improved valuations, which have been reflected positively in our income statement for the year. The firm has achieved a net income of US\$ 1.1 million of which US\$ 0.6 million is earnings on liquid investments and US\$ 2.8 million is attributed to increase in the value of the underlying investments.

Throughout the years, we have consistently demonstrated our commitment to cost savings and operational efficiency. Our dedication to optimizing costs is reflected by 17% average year-on-year expense reduction over the last 5 years. In an uncertain market environment, it is crucial to remain vigilant, flexible and identify areas where cost savings can be achieved without compromising the quality of our operations.

Our investment team, with their deep understanding of the market dynamics, is actively monitoring the international market landscape. By staying abreast of the latest trends and developments, we aim to capitalize on opportunities while mitigating potential risks. We understand that maintaining a resilient investment portfolio is essential to safeguarding the interests of our stakeholders. In 2023 the team exited its investment in IIB Paper Ltd. and is finalizing exit due diligence on another investment targeted for the second quarter of 2024.

Total liquid assets

US\$ 10.7m

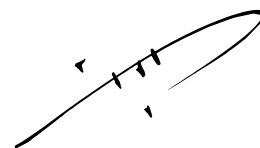
Total liquid assets stand at US\$ 10.7 million which represents 27% of total assets.

The Firm has cleaned up its equity section of the balance sheet by writing off its accumulated losses against capital. The balance sheet has zero leverage and no off-balance sheet exposures. Total liquid assets stand at US\$ 10.7 million which represents 27% of total assets.

Looking ahead to 2024, we remain committed to diligently managing our existing portfolio. The success we have achieved in optimizing our current investments has reinforced our confidence in our ability to create further value for our stakeholders. With this in mind, we are strategically positioning ourselves to develop new investment products that align with the evolving demands of our regional clients.

We are focusing on two alternative asset classes that offer current income and present attractive opportunities for our clients. By leveraging our expertise and network, we aim to identify and invest in income-producing real estate opportunities within the developed markets of North America and Europe. Additionally, we recognize the potential of the Private Credit sector and its ability to provide our investors with attractive returns. Ajyad Capital will target high-performing Private Debt opportunities in developed markets that will offer unique risk-adjusted returns that cater to various investor appetites. This avenue also serves as an ideal opportunity for portfolio diversification through alternative investments.

In conclusion, Ajyad Capital remains steadfast in its commitment to optimizing our existing investment portfolio and driving value for our stakeholders. We will continue to work closely with our investment partners and portfolio company management to navigate the challenges presented by the international market. We appreciate your continued support and confidence in our capabilities.



Suhail Mohamed Hajee
Chief Executive Officer

REMUNERATION DISCLOSURES

The Firm has a transparent, structured and comprehensive Remuneration Policy that covers all types of compensation, benefits and including the variable remuneration provided to employees at all levels of the Firm.

The Firm's Remuneration Policy is in line with the requirements of the Central Firm of Bahrain ("CBB"). The revised policy framework was approved by the Board of Directors and the policy came into effect as of 7th February 2024.

The key features and objectives of the remuneration framework are summarized below.

Remuneration Policy

The fundamental principles underlying the Remuneration Policy are:

- a. Remuneration offered by the Firm shall reflect the Firm's objective of attracting and retaining the best available talent in the industry. Remuneration will be at a level which will be commensurate with other firms of similar activity in Bahrain, and will allow for changes in the cost of living index;
- b. The Board of Directors (BOD) shall actively oversee the remuneration system's design and operation for approved persons and/or material risk-takers. The CEO and senior management shall not primarily control the remuneration system;
- c. The compensation package shall comprise a fixed component consisting of basic salary and allowances and discretionary variable pay or bonus. The compensation package offered to employees is based on the job content and complexity. Whilst the remuneration package for all approved persons and material risk takers shall be approved by the BOD, the remuneration packages for other employees are required to be approved by the CEO based on the overall remuneration policy;
- d. In a very limited number of cases, a higher salary may be offered to prospective employees who are especially well qualified or experienced for the position or may be difficult to source. Careful consideration will be given to the effect of such an offer on existing salary levels. Such offers shall require approval as per the authority matrix and subject to the approval of the BOD;
- e. Variable pay will be determined based on achievement of targets at the Firm level, business unit level and individual level;
- f. Variable pay scheme is designed in a manner that supports sound risk and compliance management. In order to achieve that goal:
 1. Performance metrics for applicable business units are risk-adjusted where appropriate; and
 2. Individual award determinations include consideration of adherence to compliance-related goals.
- g. The remuneration package of employees in Control and Support functions (risk management, internal audit, operations, financial controls, compliance and AML) are designed in such a way that they can function independently of the business units they support. Independence from the business for these employees is assured through:
 1. Setting total remuneration to ensure that variable pay is not significant enough to encourage inappropriate behaviours while remaining competitive with the market, i.e. their total remuneration will be weighted more in favour of salary;
 2. Remuneration decisions are based on their respective functions and not the business units they support;
 3. Performance measures and targets are aligned to the Firm and individual objectives that are specific to the function;
 4. Respective function's performance as opposed to other business unit's performance is a key component for calculating individual incentive payments; and
 5. Both qualitative and quantitative measures will be used to evaluate an individual's performance within these functions.
- h. The Firm does not provide for any form of severance pay, other than as required by the Labour Law for the Private Sector Law No.36 of 2012 of the Kingdom of Bahrain, to its employees. Under exceptional circumstances and subject to BOD approval, the Firm might offer sign on bonus or minimum variable pay for any new recruit limited to first year of employment only;
- i. The Firm would not allow any of its employees, identified as approved persons as per CBB guidelines, to take any benefits from any projects or investments which are managed by the Firm or promoted to its customers or potential customers except for Board- related remuneration linked to their fiduciary duties to the investors of the project/investment including those appointed as members of the board of special purpose vehicles or other operating companies set up by the Firm for projects or investments;
- j. Remuneration of non-executive directors will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits;
- k. If a senior manager is also a director, his remuneration as a senior manager must take into account compensation received in his capacity as a director; and
- l. The Firm prohibits employees to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. The Firm requires all employees to sign adherence to the Firm's code of conduct which includes the commitment of employees not to use personal hedging strategies or remuneration- and liability-related insurance.

REMUNERATION DISCLOSURES

CONTINUED

BOD role and responsibilities

The Board of Directors ("BOD") of Ajyad Capital B.S.C. (c) ("Ajyad" or "the Firm") roles and responsibilities includes the following with respect to the remuneration policy of the Firm:

- a) Review the Firm's remuneration policies for the approved persons and material risk-takers which must be consistent with the corporate values and strategy of the Firm;
- b) Approve the remuneration policy and amounts for each approved person and material risk-taker, as well as the total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;
- c) Approve, monitor and review the remuneration system on regular basis to ensure the system operates as intended;
- d) Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Kingdom of Bahrain Commercial Companies Law, 2001;
- e) The BOD shall carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. It must demonstrate that its decisions are consistent with an assessment of the Firm's financial condition and future prospects;
- f) Design all the elements of remuneration including fixed salary, allowances, benefits and variable pay scheme for all levels of employees in the Firm. In designing the Remuneration Policy, the BOD shall consider the Core Remuneration Policy of the Firm, the business strategy of the Firm, the regulatory pronouncements of the Central Firm of Bahrain and the Labour Law for the Private Sector Law No.36 of 2012 of the Kingdom of Bahrain and inputs from the CEO and Senior Management. However the CEO and Senior Management shall not have any decision-making authority with respect to the Remuneration Policy;
- h) Approve targets and associated risk parameters, and variable pay for achieving the set target for each financial year;
- i) Approve total variable remuneration to be distributed, considering the total remuneration including salaries, fees, expenses, bonuses and other employee benefits at the end of the financial year based on the evaluation of actual performance as against the target for the financial year;
- k) Undertake stress testing of the variable pay on a periodic basis to ensure that the variable pay scheme does not affect the Firm's solvency and risk profile, and its long term objectives and business goals;
- l) Undertake back testing to adjust for ex-post risk adjustments to the variable pay paid in earlier years;

Board remuneration

The Firm's Board remuneration is determined in line with the provisions of Article 188 and 224 of the Kingdom of Bahrain Commercial Companies Law, 2001 (as amended). Moreover, the articles of association regarding remuneration of the Board of Directors shall be in line with the Rules outlined in the HC Module of the CBB rulebook applicable to the Firm.

Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

The process of determining the Board remuneration as per article 188 is as follows:

Step 1	-	Compute the results for the year.
Step 2	-	Determine whether profits were achieved and dividends paid to shareholders.
Step 3	-	If profits were made deduct transfer to the statutory reserve, if any, from Net Profit.
Step 4	-	Deduct notional dividend @ 5% of Net Profit or actual dividend whichever is higher
Step 5	-	Base for Board Remuneration computation.
Step 6	-	Board Remuneration (Up to 10% of above).
Step 7	-	Make disclosures in the annual report as required by regulatory requirements.
Step 3A	-	If the Firm does not make profits or pay dividends to the shareholders, the Board of Director's remuneration has to be first approved by the shareholders in the Annual General Assembly Meeting and subsequently by the Ministry of Industry and Commerce.

REMUNERATION DISCLOSURES

CONTINUED

Variable remuneration for staff

The Firm has set the fixed remuneration of the employees at such a level to reward the employees for an agreed level of performance and the variable pay or bonus will be paid purely at the discretion of the BOD in recognition of the employees' exceptional effort in any given financial year.

The Variable Pay Scheme is based on the following premise:

1. Employees' incentive payments must be linked to the contribution of the individual and business to such performance to promote a performance-driven culture within the Firm.
2. Sensitive to the time horizon of risks and variable remuneration is therefore deferred accordingly.
3. Ensure those performers (unit or individual) who exceed the target are appropriately rewarded.
4. Align total compensation with industry practice.

Should the BOD decide to approve, the variable pay will be determined as follows:

1. The bonus pool will be in direct proportion to the performance of the Firm. The target setting for the Firm considers the funding required for distribution of bonus including the net book value based employee phantom or shadow shares.
2. The costs associated with the employee(s) shadow shares scheme are typically the following:
 - I. The net book value of the shadow shares awarded as part of the bonus shall be charged to staff costs in full in the year of award;
 - II. The difference in net book value between the grant date and the vesting date. At the end of each performance period the difference between the net book value at the grant date and the current net book value for all the vested as well as unvested portion of the previous performance period(s) shadow shares will be charged to the income statement as part of staff costs;
3. Dividends on the awarded shadow shares for the performance period will be provided for and charged to the income statement as and when it is due to the employee;
4. Cash equivalent of bonus shadow shares, if any, declared on the awarded and unvested shares will be charged to the income statement;
5. Miscellaneous costs associated with administration of the employee(s) shadow shares scheme will be charged to the income statement;
6. The bonus pool is computed as a percentage of the realized profit based on the level of target achieved..
7. This bonus pool is subject to the following additional limits:
 - a. The impact of the bonus pool is not more than 1.00% on the capital adequacy as computed as per Basle guidelines and taking into consideration the CBB's minimum capital adequacy requirements; and
 - b. The bonus pool shall not exceed the Total Fixed Remuneration paid during the financial year.
8. In the years when the Firm achieves less than 50% of the target or makes a loss, the Firm score is zero and so no bonus pool will be computed. In addition, the BOD could invoke clawback or malus clause pertaining to the bonuses paid out in earlier years. Recognition of staff who have achieved or exceeded their targets may take place by way of deferred bonuses, which may be paid once the Firm's performance improves.

Remuneration of control functions

The remuneration level of staff in the control functions allows the Firm to employ qualified and experienced personnel in these functions. The Firm ensures that the mix of fixed and variable remuneration for control function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is determined independently from (and not by the individual financial performance of) the business areas they monitor.

The Firm's performance management system plays a major role in deciding the performance of the control functions on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk control, compliance and ethical considerations as well as the market and regulatory environment, apart from value adding tasks which are specific to each unit.

REMUNERATION DISCLOSURES

CONTINUED

Variable compensation for business units

The variable compensation for the business units is primarily decided by the key performance objectives set through the performance management system of the Firm. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, as well as market and regulatory environment. The consideration of risk assessment in the performance evaluation of individuals ensures that any two employees who generate the same short-run profit but take different amounts of risk on behalf of the Firm are treated differently by the remuneration system.

Risk assessment framework

The purpose of the risk linkages is to align variable remuneration to the risk profile of the Firm. In its endeavour to do so, the Firm considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy reduces employees' incentives to take excessive and undue risk, is symmetrical with risk outcomes and has an appropriate mix of remuneration that is consistent with risk alignment.

The Firm's BOD considers whether the variable remuneration policy is in line with the Firm's risk profile and ensures that through the Firm's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Firm undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior to distribution of the annual bonus. The Firm ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of a Firm's current capital position and its internal capital adequacy assessment process ("ICAAP").

The bonus pool takes into account the performance of the Firm which is considered within the context of the Firm's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Firm-wide notable events.

The size of the variable remuneration pool and its allocation within the Firm takes into account the full range of current and potential risks, including:

- a) The cost and quantity of capital required to support the risks taken;
- b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
- c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The BOD keeps itself abreast with the Firm's performance against the risk management framework. The BOD will use this information when considering remuneration to ensure the return, risk and remuneration are aligned.

Risk adjustments

The Firm has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against risk assumptions. In years where the Firm suffers material losses, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Firm's total variable remuneration.
- At the individual level, poor performance by the Firm would mean certain individual key performance indicators are not met and hence employee performance ratings would be lower.
- Reduction in value of deferred phantom shares or awards.
- If the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous bonus awards may be considered.

The BOD, with Board approval, can rationalize and make the following discretionary decisions:

- Increase/ reduce the ex-post adjustment.
- Consider additional deferrals of phantom share awards.
- Recovery through malus and clawback arrangements

REMUNERATION DISCLOSURES

CONTINUED

Malus and clawback framework

The Firm's malus and clawback provisions allow the BOD to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable compensation could be recovered in certain situations. The intention is to allow the Firm to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term.

Any decision to take back an individual's award can only be taken by the BOD (taking into account the advice of the CEO and the Risk, Finance, HR, Legal & Compliance and other departments as appropriate).

The Firm's malus and clawback provisions allow the Firm's Board to determine that, if appropriate, vested /unvested elements under the deferred bonus plan can be adjusted/ cancelled in certain situations. These events include the following circumstances:

- Reasonable evidence of material error or a breach of Firm's policy by the employee(s);
- The Firm or the Business Unit suffers material losses or significant loss of business which could be attributed to the actions of the employee(s);
- The employee(s) could be held responsible for material failure of risk management; and
- Evidence of fraud or collusion amongst employee(s) or by employee(s) with third parties and which is prosecutable in a court of law

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Components of variable remuneration

Variable remuneration has following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of 3 years.
Upfront phantom shares	The portion of variable compensation that is awarded and issued in the form of phantom shares on conclusion of the performance evaluation process for each year.
Deferred phantom shares	The portion of variable compensation that is awarded and paid in the form of phantom shares on a pro-rata basis over a period of 3 years.

All deferred awards are subject to malus provisions. All phantom share awards are released to the benefit of the employee after a six month retention period from the date of vesting. The number of phantom share awards is linked to the Firm's share price as per the rules of the Firm's phantom share incentive plan rules. Any dividend on these phantom shares is released to the employee along with the phantom shares (i.e. after the retention period in line with the incentive plan rules).

Deferred compensation

All covered employees shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, his deputies and 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	immediate	-	-	Yes
Deferred cash	10%	-	Over 3 years	-	Yes	Yes
Upfront phantom shares	-	10%	immediate	6 months	Yes	Yes
Deferred phantom shares	50%	40%	Over 3 years	6 months	Yes	Yes

The BOD, based on its assessment of role profiles and risk taken by an employee, could increase the coverage of employees that would be subject to deferral arrangements.

REMUNERATION DISCLOSURES

CONTINUED

Details of remuneration paid

(a) Board of Directors (including Board Committees)

	2023 (USD'000)	2022 (USD'000)
Sitting Fees	33	36
Air Ticket and Hotel Expenses	51	21

(b) Shari'ah Supervisory Board

	2023 (USD'000)	2022 (USD'000)
Sitting Fees	3	5
Retention Fees	35	35
Others	-	-

(c) Senior Management Remuneration

2023

(USD'000)	Number of Employees	Fixed remuneration		Sign on bonuses (Cash / phantom shares)	Guaranteed bonuses (Cash / phantom shares)	Variable remuneration			Total	
		Cash	Others			Performance	Deferred	Others		
		Cash	Phantom Shares	Cash	Phantom Shares	Cash	Phantom Shares	Others		
Approved members										
- Business lines	4	785	125	-	-	-	-	-	-	910
- Control & support	2	160	24	-	-	-	-	-	-	184
Other members	2	191	18	-	-	-	-	-	-	209
TOTAL	8	1,136	167	-	-	-	-	-	-	1,303

2022

(USD'000)	Number of Employees	Fixed remuneration		Sign on bonuses (Cash / phantom shares)	Guaranteed bonuses (Cash / phantom shares)	Variable remuneration			Total	
		Cash	Others			Performance	Deferred	Others		
		Cash	Phantom Shares	Cash	Phantom Shares	Cash	Phantom Shares	Others		
Approved persons										
- Business lines	4	874	123	-	-	-	-	-	-	997
- Control & support	2	115	12	-	-	-	-	-	-	127
Other members	2	191	16	-	-	-	-	-	-	207
TOTAL	8	1,180	151	-	-	-	-	-	-	1,331

(d) Deferred awards

Ajyad has not paid any deferred awards for the year 2023 and 2022.

(e) Severance pays

Ajyad has not paid under Severance pay during 2023 and 2022 any amount other than what is contractual or law related requirements payments.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 2023

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SHARI'AH SUPERVISORY BOARD REPORT

Of Ajjad Capital B.S.C. (c) Manama, Kingdom of Bahrain

On the audited Financial Statements for the year ending 31 December 2023, in compliance with the terms of our letter of appointment, we are required to report as follows:

FIRM PERFORMANCE

The Shari'ah Supervisory Board ("SSB") was presented with all the investments, contracts and agreements that were conducted by the Ajjad Capital B.S.C. (c) ("the Firm") during the course of the year ending 31 December 2023. The SSB reviewed the principles, contracts and agreements relating to all these investments, in order to issue an independent opinion on whether the Firm followed the principles of the Islamic Shari'ah, specific fatwas, and guidelines issued by the SSB.

Respective responsibility of the Firm's Management and the Shari'ah Supervisory Board

Where the Firm's management is responsible for ensuring that its operations are carried out in compliance with SSB rulings. Whereas, the duty of the SSB to express an independent view on the Firm's investments, contracts and agreements made by the Firm during the year ending 31 December 2023.

In our opinion:

1. The Firm's contracts, transactions and deals in general for the year ending 31 December 2023 comply with the rules and principles of the Islamic Shari'ah.
2. The Firm's allocation of profit and charging of losses relating to investment accounts comply with the rules and principles of the Islamic Shari'ah as per Accounting and Auditing Organization for Islamic Financial Institutions.
3. No earnings have been realized from non-Shari'ah compliant sources during the fiscal year.
4. The Firm's calculation of Zakat complies with the rules and principles of the Islamic Shari'ah and has been calculated in accordance with the Net Asset Method described in the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") standards and it is the responsibility of the shareholders to pay their Zakat allocation.

We beseech the Almighty to grant us excellence and success

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh



Sh. Dr. Nedham Yaqoobi
Chairman



Sh. Dr. Osama Bahar
Member



Sh. Abdul Nasser Al-Mahmoud
Member

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Ajyad Capital B.S.C. (c)

P.O. Box 11616
Manama, Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of Ajyad capital B.S.C. (c) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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 consolidated results of its operations, changes in equity and its cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shari'ah Principles and Rules as determined by the Group's Shari'ah Supervisory Board during the year ended 31 December 2023.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (together "the Code"), together with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report and other sections which forms part of the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles as determined by the Group's Shari'ah Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS as modified by the Central Bank of Bahrain ("CBB"), 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Ajyad Capital B.S.C. (c)

Auditors' 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 auditors' 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 ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgement and maintain professional scepticism 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 auditors' 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 auditors' 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 the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) and Volume 4 of the Rulebook issued by the Central Bank of Bahrain ("CBB"), 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 board of director's report is consistent with the consolidated financial statements;
- c. the Company's capital adequacy ratio of 98.87% as of 31 December 2023 is below the required minimum regulatory capital ratio of 110% (note 23). Except for this, we are not aware of any other violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rulebook (Volume 4, applicable provisions of Volume 6 and CBB directives) or the terms of the Company's memorandum and articles of association that would 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.



KPMG Fakhro

Partner Registration Number 100

7 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 - US\$ 000'S

	Note	31 December 2023	31 December 2022
ASSETS			
Cand and balances with banks	5	915	1,243
Placements with financial institutions	6	2,530	6,462
Investment securities	7	35,349	30,257
Other assets	8	252	417
Total assets		39,046	38,379
LIABILITIES			
Accrued expenses and other liabilities	9	2,248	2,983
Total liabilities		2,248	2,983
EQUITY			
Share capital	10	34,451	109,996
Treasury shares	10	-	(6,798)
Share premium		-	19,645
Statutory reserve		95	5,758
Retained earnings/ (accumulated losses)		853	(94,150)
Equity attributable to shareholders of the Company		35,399	34,451
Non-controlling interests		1,399	945
Total equity		36,798	35,396
Total liabilities and equity		39,046	38,379

The consolidated financial statements were approved by the Board of Directors on 7 February 2024 and signed on behalf by:



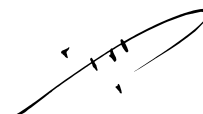
Saeed AJ Al Faheem

Chairman of the Board of Directors



Abdulaziz E AlTerki

Chairman of Audit and Corporate
Governance Committee



Suhail M Hajee

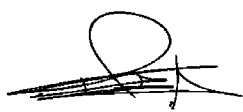
Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023 - US\$ 000'S

	Note	31 December 2023	31 December 2022
Income from investment securities	11	3,232	(97)
Income from placements with financial institutions		195	240
Foreign exchange gain/ (loss)		2	(4)
Other income	12	355	268
Total income		3,784	407
Staff costs	13	1,623	1,680
Legal and professional expenses		114	126
Premises costs		73	74
Other operating expenses	14	902	1,388
Total expenses		2,712	3,268
PROFIT/ (LOSS) FOR THE YEAR		1,072	(2,861)
Attributable to:			
Shareholders of the Company		948	(2,935)
Non-controlling interests		124	74
		1,072	(2,861)



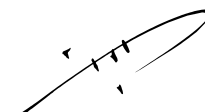
Saeed AJ Al Faheem

Chairman of the Board of Directors



Abdulaziz E AlTerki

Chairman of Audit and Corporate
Governance Committee



Suhail M Hajee

Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2023 - US\$ 000'S

31 December 2023	Attributable to shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	Retained earnings			
Balance at 1 January 2023	109,996	(6,798)	19,645	5,758	(94,150)	34,451	945	35,396
Capital Reduction	(75,545)	6,798	(19,645)	(5,758)	94,150	-	-	-
Profit for the year	-	-	-	-	948	948	124	1,072
Total recognised income and expense for the year	34,451	-	-	-	948	35,399	1,069	36,468
Transfer during the year	-	-	-	95	(95)	-	-	-
Adjustment to non-controlling interests	-	-	-	-	-	-	330	330
Balance at 31 December 2023	34,451	-	-	95	853	35,399	1,399	36,798

31 December 2022	Attributable to shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	Accumulated losses			
Balance at 1 January 2022	109,996	(6,798)	19,645	5,785	(91,232)	37,396	941	38,337
(Loss)/ profit for the year	-	-	-	-	(2,935)	(2,935)	74	(2,861)
Write-off of accumulated losses in subsidiary books	-	-	-	(27)	17	(10)	10	-
Total recognised income and expense for the year	109,996	(6,798)	19,645	5,758	(94,150)	34,451	1,025	35,476
Adjustment to non-controlling interests	-	-	-	-	-	-	(80)	(80)
Balance at 31 December 2022	109,996	(6,798)	19,645	5,758	(94,150)	34,451	945	35,396

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2023 - US\$ 000'S

	Note	31 December 2023	31 December 2022
OPERATING ACTIVITIES			
Profit / (Loss) for the year		1,072	(2,861)
Adjustments for:			
Fair values changes in investment securities, net	7	(2,838)	204
Depreciation and amortization	14	152	158
Operating loss before changes in assets and liabilities		(1,614)	(2,499)
Changes in assets and liabilities:			
Other assets		13	196
Other liabilities		(390)	647
Net cash used in operating activities		(1,991)	(1,656)
INVESTING ACTIVITIES			
Purchase of investments		(2,254)	(1,944)
Decrease in placements with financial institutions (with original maturities of more than 3 months)		4,588	3,596
Purchase of equipment		(15)	(132)
Net cash from investing activities		2,319	1,520
Net increase /(decrease) in cash and cash equivalents		328	(135)
Cash and cash equivalents at beginning of the year		1,243	1,378
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,571	1,243
Cash and cash equivalent comprise of:			
Cash and balances with banks	5	915	1,243
Placements with financial institutions (with original maturities of 3 months or less)	6	656	-
		1,571	1,243

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2023 - US\$ 000'S

1 REPORTING ENTITY

Ajyad Capital B.S.C.(c) (the "Company") (formerly International Investment Bank BSC (c)) was incorporated on 6 October 2003 under commercial registration number 51867 as a closed joint stockholding company incorporated in the Kingdom of Bahrain.

The Company was originally established as an Islamic Wholesale Islamic bank licensed by the Central Bank of Bahrain (the "CBB"). Following shareholders' and the CBB's approvals in June 2020 and December 2020, respectively, the Company changed its license to a Volume 4, Category 1 Investment Business Firm (Islamic Principles) issued on 14 December 2020.

The Company's registered office is 37th floor, AlMoayyed Tower, PO Box 11616, Manama, Kingdom of Bahrain.

The Company's activities are regulated by the CBB and supervised by a Shari'ah Supervisory Board (SSB). The principal activities of the Company include investment advisory services and investment transactions, which comply with Islamic rules and principles according to the opinion of the Group's SSB.

Consolidated financial statements

The consolidated financial statements comprise the results of the Company and its subsidiaries. The following are the principal subsidiaries of the Company that are consolidated:

Sr No	Subsidiary	Beneficial ownership interests		Year of incorporation / acquisition	Country of incorporation	Principal activity
		2023	2022			
1	Istethmary Sarajevo City Centre - I Limited	93.77%	93.77%	2009	Cayman Islands	Investment in real estate
2	Istethmary Al Fareeda B.S.C. (c)	100%	100%	2008	Bahrain	Investment in real estate
3	Bahrain Bunny Shares & Securities Co. WLL	63.10%	63.10%	2013	Bahrain	Investment in quick service restaurant business

The Company (together with its subsidiaries referred to as "Group") has other special purpose entities (SPEs) holding companies which are set up to supplement the activities of the Company and its principal subsidiaries.

Going concern

The Group's management has made 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 (refer Note 23).

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In accordance with the requirements of AAOIFI, for matters that are not covered by an AAOIFI standard, the Group uses guidance from the relevant IFRS Accounting Standards issued by International Accounting Standards Board ("IFRS Accounting Standards").

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for measurement at fair value for investments in unquoted equity securities at fair value through income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023 - US\$ '000'S

2 BASIS OF PREPARATION (continued)

c) Functional and presentation currency

The consolidated financial statement are presented in United States Dollars ("US\$") which is also the Group's functional currency. All the values are rounded to the nearest US\$ '000, unless otherwise indicated.

d) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of a subsidiary are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's fiduciary assets under management is set out in note 21.

Loss of control

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to the consolidated statement of income.

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Transactions eliminated on consolidation

Intra-group balances and transactions and any recognised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as recognised gains, but only to the extent that there is no evidence of impairment.

The reporting period of the Group's subsidiaries are identical, and their accounting policies conform to those used by the Group for similar transactions and events in similar circumstances. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

e) New standards, amendments and interpretations effective from 1 January 2023

There were no new standards, amendments to the standards, which became effective as of 1 January 2023, that were relevant and had a material impact on the consolidated financial statements.

f) New standards, amendments and interpretations issued but not effective

i) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023- US\$ 000'S

2 BASIS OF PREPARATION (continued)

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

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Some of the significant revisions to the standard as follows:

- Revised conceptual framework is now integral part of the AAOIFI FAS's;
- Definition of Quassi equity is introduced;
- Definitions have been modified and improved;
- Concept of comprehensive income has been introduced;
- Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- Disclosure of Zakah and Charity have been relocated to the notes;
- True and fair override has been introduced;
- Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- Disclosures of related parties, subsequent events and going concern have been improved;
- Improvement in reporting for foreign currency, segment reporting;
- Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FAS's; and
- The illustrative financial statements are not part of this standard and will be issued separately.

The Group doesn't expect a significant impact from adoption of this standard.

3 MATERIAL ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set below. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

a) Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into US\$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US\$ at the exchange rates at the date of the transactions. Foreign currency differences are accumulated into foreign currency translation reserve in equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated income statement as part of the gain or loss on disposal.

b) Investment securities

Investment securities comprise debt and equity instruments but exclude investment in subsidiaries.

(i) *Classification*

The Group segregates its investment securities into debt-type instruments and equity-type instruments.

Debt-type instruments

Debt-type instruments are investments that provide fixed or determinable payments of profits and capital. Investments in debt-type instruments are classified in the following categories:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023 - US\$ 000'S

3 MATERIAL ACCOUNTING POLICIES (continued)

At FVTIS

These investments are either not managed on contractual yield basis or designated on initial recognition at FVTIS to avoid any accounting mismatch that would arise on measuring the assets or liabilities or recognised the gains or losses on them on different bases. Currently, the Group does not have any investment under this category.

At amortised cost

This classification is for debt-type instruments which are not designated as FVTIS and are managed on contractual yield basis. These include investments in short term to long-term Sukuk.

Equity-type instruments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories:

At FVTIS

Equity-type instruments classified and measured at FVTIS include investments designated on initial recognition at FVTIS.

On initial recognition, an equity-type instrument is designated as FVTIS only if the investment is managed and its performance is evaluated and reported on internally by the management on a fair value basis. This category currently includes investment in private equity and funds.

At FVTE

Equity-type instruments other than those designated at FVTIS are classified as at FVTE.

(ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For investments carried at FVTIS, transaction costs are expensed in the consolidated income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity.

When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated income statement.

Investments carried at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or where there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

Subsequent to initial recognition, debt-type investments other than those carried at FVTIS are measured at amortised cost using the effective profit method less any impairment allowances.

(iv) Measurement principles

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 capital repayments, plus or minus the cumulative recognised using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023- US\$ 000'S

3 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

c) Placements with financial institutions

These comprise inter-company placements made using Shari'ah compliant contracts. Placements are usually for short-term and are stated at their amortised cost.

d) Impairment of financial instruments

Exposures subject to credit risk

The Group recognises loss allowances for ECLs on:

- Cash and bank balances;
- Placements with financial institutions; and
- Investments in Sukuk (debt-type instruments carried at amortised cost);

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt-type securities that are determined to have low credit risk at the reporting date; and
- other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on exposure subject to credit risk increased significantly if it is more than 30 days past due. The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the exposure is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher per S&P.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition

Stage 1: 12-months ECL

Stage 1 includes exposures that are subject to credit risk on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023 - US\$ 000'S

3 MATERIAL ACCOUNTING POLICIES (continued)

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes exposures that are subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument. ECLs are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes exposures that are subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's Rulebook. For these assets, lifetime ECL is recognised.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets and assets acquired for leasing that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Financial assets and assets acquired for leasing that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.
- ECLs are discounted at the effective profit rate of the financial asset.

Credit-impaired exposures

At each reporting date, the Group assesses whether financial assets and assets acquired for leasing are credit impaired. A financial asset and an asset acquired for leasing is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a financing facility or advance by the Company on terms that the Company would not consider otherwise.
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

d) Impairment of non-financial assets

The carrying amount of the Group's assets or its cash generating unit, other than financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

f) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023- US\$ 000'S

3 MATERIAL ACCOUNTING POLICIES (continued)

f) Share capital and reserves (continued)

Treasury shares

The amount of consideration paid including all directly attributable costs incurred in connection with the acquisition of the treasury shares are recognised in equity. Consideration received on sale of treasury shares is presented in the consolidated financial statements as a change in equity. No gain or loss is recognised on the Group's consolidated income statement on the sale of treasury shares.

Statutory reserve

The Commercial Companies Law 2001 requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid-up share capital.

g) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and placements with financial institutions with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

h) Revenue recognition

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

Management and other fees are recognised as income when earned and the related services are performed and there is no uncertainty on its collectability.

Income from placements with financial institutions are recognised on a time-apportioned basis over the period of the related contract using the effective profit rate.

Income from sukuk is recognised on an accrual basis.

Dividend income from investment securities is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

i) Earnings prohibited by Shari'ah

The Group is committed to avoid recognition of 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 charitable means.

j) Zakah

Pursuant to the decision of the shareholders', Zakah is the responsibility of the shareholders. The Group is also required to calculate and notify, under a separate report, individual shareholders of their pro-rata share of the Zakah payable by them on distributed profits. These calculations are approved by the Group's Shari'ah Supervisory Board and provided for in the Company's website.

k) Employees benefits

(i) Short-term benefits

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

(ii) Post-employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Company are recognised as an expense in consolidated income statement when they are due.

Expatriate and certain Bahraini employees on fixed contracts are entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment, has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of a "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023 - US\$ 000'S

3 MATERIAL ACCOUNTING POLICIES (continued)

l) Dividends and other appropriations

Dividends to shareholders and other appropriations are recognised as liabilities in the period in which they are declared and approved by the shareholders in a general meeting.

m) Provisions

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

n) Offsetting of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets include cash and balances with banks, placements with financial institutions, financing receivables, investment securities and other assets. Financial liabilities include financing liabilities related to assets acquired for leasing and other liabilities.

Financial assets and financial liabilities are only offset, and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis or intends to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted under AAOIFI, or for gains and losses arising from a group of similar transactions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Judgement

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments at FVTIS or investments carried at FVTE or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification (note 3 (b)).

SPEs

The Group sponsors the formation of SPEs 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, judgements are made about the objectives of the SPEs 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.

Estimations

Fair value of unquoted financial instruments

The Group determines fair value of investments designated at fair value that are not quoted in active markets by using valuation techniques such as discounted cash flows and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision.

There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of the management of the investee companies and based on the latest available audited and un-audited financial information. The basis of valuation has been reviewed by the Management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023- US\$ 000'S

5 CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	7	7
Cash in bank	908	1,236
	915	1,243

6 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2023	31 December 2022
Wakala placements with original maturities of 3 months or less	656	-
Wakala placements with original maturities of more than 3 months	1,874	6,462
	2,530	6,462

7 INVESTMENT SECURITIES

	31 December 2023	31 December 2022
Debt type instruments		
<i>At amortized cost</i>		
- <i>Quoted sukuk (Sovereign)</i>	7,216	4,962
Equity type instruments		
<i>Unquoted equity securities at FVTIS (a)</i>	28,133	25,295
	35,349	30,257

a) Movement on equity type investments at FVTIS

	31 December 2023	31 December 2022
At 1 January	25,295	25,499
Fair value changes (note 11)	2,838	(204)
At 31 December	28,133	25,295

This represents an investment in a company incorporated in Bosnia and Herzegovina in which the investment owns a commercial mall and a hotel.

8 OTHER ASSETS

	31 December 2023	31 December 2022
Equipment, net	178	208
Right-of-use asset, net	25	147
Prepaid expenses	31	42
Receivables	18	20
	252	417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023 - US\$ 000'S

9 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023	31 December 2022
SPV related liabilities	1,284	1,450
Accrued expenses	675	827
Employee related accruals	190	161
Account payables	49	60
Other payables	50	358
Lease liability	-	127
	2,248	2,983

10 SHARE CAPITAL

	31 December 2023	31 December 2022
Authorized:		
200,000,000 (2022: 200,000,000) ordinary shares at US\$ 1 per share	200,000	200,000
Issued, subscribed and paid-up capital		
34,451,000 (2022: 109,995,797) ordinary shares at US\$ 1 per share	34,451	109,996

At 31 December 2023, the Company held NIL (31 December 2022: 3,000,000) treasury shares valued at USD NIL (2022: USD\$ 6,798,000).

The shareholders in their meeting held on 24 May 2023 approved the writing off of accumulated losses of US\$ 94,150 thousands through:

- Reducing statutory reserve by US\$ 5,758 thousand.
- Reducing share premium by US\$ 19,645 thousand
- Reducing treasury shares by US\$ 6,798 thousand; and
- Reducing the Company's paid-up capital by US\$ 75,545 thousand through reducing the number of shares from 109,995,797 to 34,450,493 of US\$ 1 each.

The Company is in the process of registering this change with the Ministry of Industry and Commerce.

11 INCOME FROM INVESTMENT SECURITIES

	2023	2022
Fair value changes on equity securities at FVTIS (note 7)	2,838	(204)
Income from Sukuk	394	107
	3,232	(97)

12 OTHER INCOME

	2023	2022
Recovery of receivable previously written off	-	268
Excess accruals no longer required	213	-
Other income	142	-
	355	268

13 STAFF COSTS

	2023	2022
Salaries and benefits	1,586	1,642
Leaving indemnity	37	38
	1,623	1,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023- US\$ 000'S

14 OTHER OPERATING EXPENSES

	2023	2022
Deal related expenses	200	691
Amortisation of ROUA	121	121
IT expenses	100	62
Directors sitting fees and expenses (note 16)	88	63
Shari'ah supervisory board expenses	38	40
Advertisement expenses	11	10
Business travel expenses	51	92
Depreciation	31	36
Others	262	273
	902	1,388

15 CONCENTRATION OF ASSETS AND LIABILITIES

a) Industry sector

The industrial distribution of the Group's assets and liabilities is as follows:

31 December 2023	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and balances with banks	911	4	-	915
Placements with financial institutions	2,530	-	-	2,530
Investment securities	7,216	28,133	-	35,349
Other assets	252	-	-	252
Total assets	10,909	28,137	-	39,046
Liabilities				
Other liabilities	-	2,227	21	2,248
Lease liability	-	-	-	-
Total liabilities	-	2,227	21	2,248

31 December 2022	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and balances with banks	1,243	-	-	1,243
Placements with financial institutions	6,462	-	-	6,462
Investment securities	4,962	25,295	-	30,257
Other assets	417	-	-	417
Total assets	13,084	25,295	-	38,379
Liabilities				
Other liabilities	-	65	2,791	2,856
Lease liability	-	-	127	127
Total liabilities	-	65	2,918	2,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023 - US\$ 000'S

16 RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties comprise associates, major shareholders, directors and executive management of the Group and/or entities over which they exercise control and/or significant influence.

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

	31 December 2023		31 December 2022	
	Associates	Total	Associates	Total
Assets				
Investment securities	28,133	28,133	25,295	25,295

	2023		2022	
	Associates	Total	Associates	Total
Income				
Income from investment securities	2,838	2,838	(204)	(204)

Key management personnel

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

	2023	2022
Directors sitting fees and expenses (note 14)	88	63
Salaries, other short-term benefits and expenses	1,185	1,227
Post-employment benefits	118	104

17 FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risk.

Risk inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his/her responsibilities. The Group has a risk management and governance framework which is intended to integrate risk management in its strategic thinking and business practices.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023- US\$ 000'S

17 FINANCIAL RISK MANAGEMENT (continued)

Risk Management and Governance Structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Audit Committee

The Audit Committee is appointed by the Board of Directors and consists of three non-executive Board members. The Audit Committee assists the Board of Directors in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof, the soundness of the internal controls of the Group, the measurement system of risk assessment and relating these to the Group's capital, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

Shari'ah Supervisory Board

The Shari'ah Supervisory Board reviews the principles and contracts relating to the transactions conducted by the Group to judge whether it followed the principles of the Islamic Shari'ah and specific fatwas, rulings and guidelines issued.

Management Committees

The Board has established two governance committees, namely the Executive Management Committee (EMC) and the Management Investment Committee (MIC). These committees comprise senior management and heads of departments who are best qualified to make decisions on issues such as funding, asset utilization, IT, investment acquisition/exit, and management of all types of risks, including market, credit, liquidity and operational risks.

Executive Management Committee (EMC)

The EMC monitors the execution of the strategic business plan, provides a forum to assimilate viewpoints, adopt best practices in the management of the Company and provides guidelines to carry out the day-to-day affairs of the Company, within the overall approved procedures laid down by the Board.

Management Investment Committee (MIC)

Potential deals are presented to the Investment Committee for consideration and those selected are forwarded to the Board of Directors for initial approval.

Internal Audit

Risk management processes throughout the Group are audited at least annually by the Internal Audit based on the risk-based audit plan approved by the Audit Committee. Audit staff examine both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, then reports its findings and recommendations to the Audit Committee.

Risk management and reporting structure

Currently, the Group's assets mainly comprise cash and balances with banks, placements with financial institutions, receivables, and investments. Balances with banks and placements with financial institutions represent deposits with GCC incorporated banks with the majority of them being investment grade credit ratings. Investments comprise mainly retentions in the Company's investment offerings, which are illiquid.

Monitoring and controlling risks are primarily performed based on limits approved by the Board of Directors. These limits reflect the business strategy and market environment of the Group as well as the level of risk that it is willing to accept, with additional emphasis on selected industries. The Group also monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023 - US\$ 000'S

17 FINANCIAL RISK MANAGEMENT (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to maintain a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Being an investment business, the Group is involved in investment advisory services and investment transactions which comply with Islamic rules and principles according to the opinion of the Shari'ah Supervisory Board. Credit risk arises largely through balance with banks, short-term placements with financial institutions, financing receivables, investment in debt securities and other assets.

The Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Counterparty limits are established with the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to revision at the time of renewal of the facility.

The Board of Directors has delegated responsibility for the management of credit risk to its EMC. EMC is the highest management-level authority on all credit exposures. The overall role of EMC is to facilitate the business of the Group in the most effective and efficient manner within the risk guidelines specified by the Board of Directors. Prior to funding a facility, and regardless of its size, the EMC provides an independent assessment of the opportunity, highlighting key risks prior to commitment.

The RMD regularly monitors the level of risk within the Group's portfolio to ensure that appropriate level of economic capital is maintained. This process ensures that the required risk capital is below the available equity, which results in a positive equity cushion. The RMD ensures that the Company maintains appropriate asset diversification by geography, industry and investment type.

Maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position except for investment securities (equity-type) which is already disclosed in note 18. The figures represent gross exposure net of any provision for impairment, without taking into account any collateral held and other credit mitigants.

	Maximum exposure	
	31 December 2023	31 December 2022
Balances with banks	908	1,243
Placements with financial institutions	2,530	6,462
Investment Securities (Sukuk)	7,216	4,962
Other financial assets	18	20
	10,672	12,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 December 2023- US\$ 000'S

17 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations associated with financial liabilities. The main action to manage the Group's liquidity is through the adherence to limits on liquidity mismatches. These include the limits of the cumulative excess of maturing liabilities over assets in the short-term and limits on dependence on short-dated funds.

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

31 December 2023	Gross undiscounted cash flows			Total	Carrying value
	Less than 3 months	3 to 12 months	Over 1 year		
Liabilities	773	1,475	-	2,248	2,248
	773	1,475	-	2,248	2,248

31 December 2022	Gross undiscounted cash flows			Total	Carrying value
	Less than 3 months	3 to 12 months	Over 1 year		
Liabilities	930	1,926	-	2,856	2,856
Lease liability	44	84	-	127	127
	974	2,010	-	2,983	2,983

The financial assets are neither past due nor impaired. The ECL on the financial assets is not significant for the recognition purposes due to short-term nature and credit worthiness of the counterparties.

c) Market risks

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises equity position risk, profit rate risk, commodities risk, currency risk and other price risk.

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

The Group is not exposed to commodities or price risk as there is no commodity holding either in the banking or trading book. Market risk for the Group arises only on account of its foreign exchange exposure.

The Group manages its market risk exposures by limiting the exposure to equities and foreign exchange exposure and evaluating each new product and activity with respect to the market risk introduced by it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023 - US\$ 000'S

17 FINANCIAL RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Certain investments and other financial assets and liabilities are in other currencies and give rise to foreign currency risk.

The Bahraini Dinar (BHD), Saudi Riyal (SAR) and UAE Dirham (AED) are pegged to the US\$ and resultantly positions in these currencies are not considered to represent significant currency risk. The Group had the following net foreign currency exposures at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Euro	28,143	25,295
GBP	(43)	(55)
	28,100	25,240

Positions are monitored regularly, and the Group is not exposed to any significant currency risk.

	Change in currency rate % exchange rate (+/-)	31 December 2023 Effect on net loss/equity (+/-)	31 December 2022 Effect on net loss/Equity (+/-)
Euro	10%	2,814	2,401
GBP	10%	(4)	(6)

Equity price risk

Equity price risk is the risk that the fair value of equity investments decreases as a result of fluctuations in the respective stock market indices. The Group has no investments at FVTE quoted on stock exchange.

Prepayment risk

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

d) Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. It is an inherent risk faced by all business and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Group has developed a Disaster Recovery and Business Continuity Plan (DR&BCP) to enable the Group to survive a disaster and to re-establish normal business operations. The DR&BCP will enable the Group to minimize interruptions to business service operations, resume critical operations within a specified time after a disaster, minimize financial loss due to disruptions, limit the severity of the disruption, expedite the restoration of services and maintain a positive public image of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023- US\$ 000'S

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Fair value hierarchy

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

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

31 December 2023	Level 1	Level 2	Level 3	Total
Unquoted equity securities at FVTIS	-	-	28,133	28,133
	-	-	28,133	28,133

31 December 2022	Level 1	Level 2	Level 3	Total
Unquoted equity securities at FVTIS	-	-	25,295	25,295
	-	-	25,295	25,295

Movements in level 3 financial instruments

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

	2023	2022
At 1 January	25,295	25,499
Fair value changes	2,838	(204)
At 31 December	28,133	25,295

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2023 (2022: Nil)

For investment securities the Company adjusted the discount rate \pm 1% and carrying values \pm 5% where appropriate, which is considered by the Company to be within a range of reasonably possible alternatives.

19 SHARI'AH SUPERVISORY BOARD

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For The Year Ended 31 December 2023 - US\$ 000'S

20 EARNINGS PROHIBITED BY SHARI'AH

Earnings prohibited by Shari'ah, if earned are set aside for charitable purposes or otherwise dealt with in accordance with directions of the Shari'ah Supervisory Board. During the year, the Group does not have any earnings which are prohibited by Shari'ah.

21 ZAKAH AND SOCIAL RESPONSIBILITY

Zakah is directly borne by the shareholders on distributed profits. Zakah payable by the shareholders is computed by the Company, based on the method prescribed by the Company's Shari'ah Supervisory Board and notified to shareholders annually. Zakah payable by the shareholders for the year ended 31 December 2023 is US\$ 0.006 (2022: US\$0.002) per share.

22 ASSETS UNDER MANAGEMENT

Proprietary assets are included in the consolidated statement of financial position under "investment securities". Client assets, which represent client investments, are managed in a fiduciary capacity without recourse to the Group and are not included in the consolidated statement of financial position. In 2023, total assets under management amounted to US\$ 2,690 thousands (2022: US\$ 2,979 thousands).

Assets under management includes US\$ 1,040 (2022: USD 1,502) related to Client Fund Accounts. These accounts include clients funds from investment exits, held with the Company on behalf of the investor.

23 CAPITAL MANAGEMENT

The Group is required to follow the guidelines under Volume 4 of the rule book issued by CBB for capital adequacy purposes.

The Group's regulator CBB sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital required for 'Category 1' investment entity is US\$ 2.65 million.

The Group's regulatory capital is analysed into below tier:

- Tier 1 capital: includes ordinary share capital that meet the classification as common shares for regulatory purposes, general reserves including statutory reserves excluding revaluation reserves and unappropriated retained earnings brought forward.

The capital adequacy ratio calculated in accordance with capital adequacy guidelines of the CBB was as follow:

	31 December 2023	31 December 2022
Regulatory capital (A)	36,797	35,488
Regulatory capital requirement / Risk weighted exposures (B)	37,218	33,013
Capital adequacy ratio (A/B)	98.87%	108%

The Group's regulatory capital adequacy ratio of 98.87% as at 31 December 2023 was below the minimum required regulatory ratio of 110%.

24 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes.

25 COMPARATIVE

Certain prior year figures have been regrouped to conform to the presentation adopted in the current year. Such re-grouping did not affect previously reported loss for the year or total equity.

