



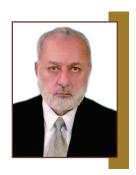




# Fatwa and Sharia Supervisory Board



**Sheikh Prof. Sayed Mohammad A. Al-Tabtabae** Chairman of Fatwa and Sharia Supervisory Board



**Sheikh Prof. Ahmad H. Al-Kurdi**Fatwa and Sharia Supervisory Board Member



**D. Khalid Shoga'a Al Atibi**Fatwa and Sharia Supervisory Board Member

# ■ Board of Directors



Mr. Fahad Ali M. Thunayan Al-Ghanim Chairman



**Mr. Nasser Ibrahim Borousli** Board Member



**Mr. Abdulaziz Nasser Al-Marzouq**Deputy Chairman



**Mr. Talal Reda Behbehani** Board Member



**Mr. Muhannad Mohammed Al-Sanea**Board Member



**Mr. Mansour Hamad Al-Mobarak**Board Member



**Mr. Riyad Nasser Al-Bader** Board Member



# Chairman's Speech

In the name of Allah, praise be to the Almighty, peace and blessings and upon Prophet Mohamed, the best honorable of all mankind, his family, companions and followers till the Day of Judgment.

## Dear Shareholders ..... Peace and blessings of Allah be upon you.

It gives me pleasure to welcome you at this General Assembly Meeting and to present to you the annual report of A'ayan Leasing and Investment Company, Sharia Supervisory Board Report, Corporate Governance Report, the Audit Committee Report, the Auditors' Report and the financial statements for the financial year ended 31 December 2021.

The negative repercussions of the Corona-Covid-19 pandemic continued to cast its shadow on the operational business environment in Kuwait. Despite the momentum of economic growth that Kuwait saw due to the relative back to normal life state in late 2021, economic growth and the operational environment may need more time to return to pre-pandemic levels. The rise in oil prices has supported the consumer trend of individuals and gains for the oil sector.

Since the easing of lockdown measures in mid-2021, consumer activity has continued to drive the recovery, with consumer spending being supported by six-month deferral of loan installments for Kuwaiti citizens. There has been an acceleration in the growth of consumer spending on a comparative annual basis as in October 2021, and in light of these exceptional circumstances, the Group worked hard to achieve its goals and deal with all its dealers as was the case in the past and will remain its professional dealings with all dealers.

The past year witnessed dynamic efforts by the Company to settle the remainder of its debt with the rest of its creditors, and these efforts culminated in the Company's success in lifting the mortgages on a group of assets that were mortgaged according to the Murabaha contract signed between the Company and its creditors.

After the exceptional results that accompanied the Company's debt settlement transactions in 2020, the Company's financial results for the year 2021 confirm the strength of the operational status of the Company's assets currently under restructuring on sound and sustainable foundations through the Company's team consolidated efforts.

# Chairman's Speech

Presented below is the Financial Summary Highlights for the Group for the year ending 31 December 2021 as compared to year 2020:

(Amounts in Kuwaiti Dinars)	2021	2020
Net profit attributable to Equity holders of A'ayan Leasing & Investment Company	6,099,104	20,685,366
Retained Earnings attributable to Equity holders of A'ayan Leasing & Investment Company	6,596,360	130,727
Total Revenues	16,023,635	30,207,881
Total Expenses	8,933,790	10,163,100
Total Assets	138,158,219	146,690,786
Total Liabilities	36,920,889	43,100,247
Total Liabilities to Total Assets Ratio	27%	29%
Book Value per outstanding share (in Fils)	124	114

The Board of Directors also recommended cash reduction of the Company's Capital in excess of the need for cash, which represents 7% of the Company's current capital, such reduction will bring the capital of the company to KD 66,403,882 provided that this recommendation is subject to the approval of the Company's extraordinary general assembly after obtaining the approval of the relevant regulatory authorities concerning this recommendation.

We at A'ayan Leasing and Investment Company look forward to creating an appropriate balance in the Company's assets during the coming period. This requires working to seize the appropriate investment opportunities and to choose the optimal financial structure that will maximize shareholders' rights and enhance the Company's position in the market. The Company will also make every possible effort to take advantage of the available growth opportunities, especially in light of the economic recovery that the regional and local economies are witnessing and the return of stimulating activities to the operational environment and the awarding of large projects, which opens the way to achieve more growth for the Company in the coming years, God willing. In this regard, I wish to extend my sincere thanks to my brothers, members of the Board of Directors and the company's employees, who worked side by side in order to overcome the challenges of the previous phase and contributed to preserve the position of the Company.

Fahad Ali Mohammed Thunayan Al-Ghanim

Chairman of Board of Directors



In the name of Allah, the Most Compassionate, Thanks to Allah, Prayers and Peace be Upon His Prophet, Companions and Good followers till the Day of Judgment

Our Valued Shareholders; May Peace, Mercy, and Blessings of All be upon you.

On behalf of the Executive Management of A'ayan Leasing and Investment Company, I have the pleasure to present this report highlighting the Company's Key financial indicators for the year ended 31 December 2021 and to briefly highlight the updates on key financial and economic development in the year 2021.

Overview of the Economic Situation in 2021

## First: Continued Implications of Covid-19 on the World Economy

The Corona Pandemic has greatly affected the economies of various countries of the world, including the countries of the Gulf Cooperation Council with several challenges imposed on these countries in light of the repercussions of the coronavirus crisis.

The pandemic showed a growing need to diversify the oil-based economies in the region, as the GDP data of the International Monetary Fund showed the seriousness of the situation within the region, with the GDP of the major oil-exporting countries showing a sharp decline. The weakening demand for oil and the decline in prices, along with a sharp increase in oil reserves left negative impacts on countries that depend on selling oil to finance the majority of government expenditures.

Based on the reports issued by the International Monetary Fund regarding the performance of the global economy, it is worth noting the following important points: -

- The contraction of activity post-pandemic was unprecedented in recent history in its pace and synchronized nature. Much remains to be done to overcome the pandemic and avoid divergence in income per capita across economies and persistent increases in inequality within countries.
- According to the IMF, the divergent recovery paths are likely to create significantly wider gaps in living standards between economies compared to pre-pandemic expectations. Emerging market economies and low-income developing countries have already been severely impacted and are expected to suffer more significant medium-term losses compared to other economies. Aggregate output for advanced economies is expected to recover to pre-pandemic levels in 2022 and surpass it by 0.9% in 2024. By contrast, aggregate output for the emerging market and developing economies (excluding China) is expected to remain 5.5% below the pre-pandemic forecast in 2024, resulting in a larger setback to improvements in their living standards. These divergences, however, are not just occurring between economies but also within them. Income inequality within countries will likely widen in both advanced and emerging markets. These differences will be seen across sectors, asset classes and age groups.
- Recovery in global demand in 2021 has outpaced supply, causing supply bottlenecks and a further surge in production costs in the latter half of 2021. The idea of transitory inflation had been abandoned with persistent inflation taking center stage. Inflation had reached 5.7% globally by December. Prior to the latest Omicron wave in November, G-7 Shortages Indicators had suggested an easing of product shortages. However, the resulting price pressures caused by the new variant further raised inflation expectations and wage growth. Therefore, while it is estimated that Omicron may diminish 1% of GDP in advanced economies, it has not deterred central banks from proceeding with interest rate hikes. In fact, the Bank of England implemented its first rate hike in three years in December 2021, despite the UK having recorded the highest per capita infection rates. The hawkish pivot by major central banks led to a sell-off in the global bond market and saw a jump in real bond yields. Ten-year US Treasury yields had surpassed the 1.5% threshold by the end of 2021.
- Consistent with the projected global recovery, oil prices were projected to grow 30% in 2021 from their low base in 2020, in part reflecting the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) supply cuts. After falling to \$27 per barrel in April 2020, Brent's 2021 annual average reached \$71 per barrel—the highest in three years. While oil prices are forecast to decline in 2022, they are expected to remain elevated, estimated to end 2022 at \$70 per barrel as OPEC+ supply shortfalls and gas supply shocks persist.

# Second: Regional Economy

- As per the IMF, the Middle East & North Africa (MENA) region witnessed fiscal deficits widen to 10.1% of GDP in 2020 from 3.8% of GDP in 2019. Government debt increased sizably to 56.4% of GDP in 2020, from 47% in 2019. Following a contraction of 3.2% in 2020, real GDP growth in the MENA region is expected to recover to 4.5% in 2021.
- IMF projected GDP in the Gulf Cooperation Council (GCC) countries to expand by 2.5% and 4.2% in 2021 and 2022, respectively, on the back of global economic recovery, higher vaccination rates and higher oil prices. The latter is expected to markedly improve GCC members' sovereign budget balances. GCC sovereigns had raised approximately \$63 Billion in debt markets as oil prices plummeted in 2020. However, sovereign debt activity reduced in the second half of the year as oil prices rallied 50% in 2021. The oil exporters' current account balance is projected to improve from a deficit of 1.9% of GDP in 2020 to a surplus of 3.6% of GDP in 2021 –exceeding pre-pandemic levels. Non-oil GDP had also been expected to improve in 2021, however, PMIs in December showed non-oil sectors softened with the advent of the Omicron variant.

- Credit conditions are expected to tighten with an increase in problems loans, as a result of a scaling back of existing support measures and forthcoming interest rates hikes in line with the Fed. Risks are more pronounced in the UAE and Qatar. Non-performing loans have reached a record of over 8% in the UAE, to be further challenged by higher overcapacity rates following the World Expo in March 2022. Qatar faces similar risk with the unwinding of private sector credit following the Football World Cup.
- Saudi Arabia, the region's largest economy, is projected to register real GDP growth of 2.4% and non-oil GDP growth of 4.3% following the increase in oil prices. In addition to the kingdom having made notable progress in fiscal reform measures compared to its regional peers.

#### Third: Kuwait - Domestic Conditions

- Kuwait's GDP is estimated to have grown at little over 1% in 2021 after a slump of almost 9% in 2020 (based on fiscal year ending 31 March). Higher Oil prices and the sharp rebound seen in consumer spending were the key drivers of growth. Consumer spending rebounded sharply during 2021 with over 35% growth seen in consumer spending over the same parameter in 2020. Consumer spending held its strength throughout the year despite large scale relaxations in travel restrictions were allowed in the last quarter of 2021.
- Stronger consumer spending has resulted in significant growth in household credit. Instalment (housing) and consumer loans has posted a double digit growth (y/y). However overall credit growth has been around 5-6% indicating that the corporate credit growth has been considerably slower compared to retail credit growth.
- Travel restrictions that were in place for around 18 months starting from March 2020 as well as loan forbearance measures extended by the Government resulted in an overall deposit growth of around 22% for 2020. KWD sight deposits remained stable by growing at 2% in 2021 i.e. maintaining the high levels recorded at the end of 2020.
- Central Bank of Kuwait Discount Rate (CBDR) continues to be 1.5% after the cut in the discount rate from 2.5% in 2020 to negate high volatility in foreign currency exchange rates for the Kuwaiti Dinar as well as to cope with the negative impact of the pandemic. The decision in 2020 came after a steep decline in global commodity prices and the Federal Reserve decision to cut interest rates.
- Inflation was at around 1.1 % at the end of 2019, rising to 2.1 % in 2020 and an expected 3.2 % in 2021. It is forecast to ease back to 3 % in the following years. The unemployment rate was 1.2-1.3 % across those years. The increase in inflation is mainly driven by rising prices in food and household maintenance items resulting from the global supply disruptions brought about by the restricted activity to curb the spread of the pandemic as well as from the prevailing high liquidity situation.
- In June 2021, the government and parliament approved the budget for 2021/22, which included the allocations of substantial future funding for strategic projects. The Budget also anticipated a deficit of \$36bn. Post-Covid-19, Kuwait's highest priority is to accelerate its Vision 2035 diversification and structural economic reform program aimed at bringing private investment and new job-creating industries into the country.

- In 2020, oil production stood at 2.69 million b/d, which was a decrease of 9.7 % from 2.98 million b/d in 2019. However Net exports will continue to drag on growth, largely due to lower average oil production in 2021 coupled with stronger import demand and higher Oil Prices. Oil Exports are the largest component of GDP in Kuwait and will continue to rise in the medium term as OPEC-led production cuts are loosened, paving way for a gradual ramp-up in crude production. Crude exports are expected to rise steadily to 2.33mn b/d in 2030 as several new oil and gas projects come online. Outlook for refined fuels exports is bright; however, a substantial boost to exports awaits the commissioning of the Al Zour facility, which is expected in 2022.
- The project pipeline looks promising with around \$131bn-worth of projects in planning stage in Kuwait. Around 17 % of that value or \$22.5bn-worth of projects are in the bidding stage. Projects that are in the study stage have a share of 64.1 % or \$84.4bn; those in the design stage have a share of 15.3 % or \$20.1bn; and those in the FEED stage have a share of 3.5 % or \$4.6bn.

#### Fourth: Performance of Kuwait Stock Market

Some reports dealt with and presented the final performance report of the Kuwait Stock Exchange during the year 2021 which ended the year with a distinguished performance at all levels. All market indicators rose by rates ranging between 27 and 32 percent, in addition to the increase in the market value of the Kuwait Stock Exchange to reach 41.3 billion Kuwaiti dinars, an increase of 10 billion compared to 2020. Such performances are undoubtedly high and the markets do not witness much, especially amidst economic, financial and instability.

According to the published reports, the most important factor was the instability of global health conditions due to the "Covid 19" pandemic and its endless variants, the latest of which is "Omicron", the new variant of Corona, which struck the world since December of 2021 and led to violent corrections in stock markets and all global stock exchanges. This also included metals and currencies in light of the threat of closure with a state of uncertainty and inability to assess conditions, and of course, all of these constitute pressure factors on investors' sentiment, especially those investors who are conservative and do not tend to take risks.

Amidst the previous negative factors, the role of portfolio managers comes in providing diverse and attractive investment opportunities and convincing the investor of their ability to manage these risks as much as possible and achieve long-term competitive returns with continuous short-term distributions.

Despite all these challenges, there are several positives, including that the markets have also gained immunity, in proportion to the increase in the number of people vaccinated against the pandemic.

It is expected that the first quarter of 2022 will represent the cornerstone of the year's performance. It is expected that some stocks will witness good activity with the start of announcing the annual results of companies, especially the banking sector and some of the leading shares in the Kuwait Stock Exchange, and there will still be some risks that may affect economies, including a return to closure, in addition to the threat of inflation, which is expected to be a major player during 2022 globally.

## Fifth: Company's Performance Indicator & Synopsis on Financial Performance

The Executive Management at A'ayan Leasing and Investment Company worked during the year 2021 to achieve the goals and aspirations that were drawn in cooperation with the Company's Board of Directors, in a way that would achieve the maximum benefit to all the Company's shareholders. There is no doubt that the settlement of the Company's debts over the past two years has greatly contributed to raising the company's financial solvency and net worth and strengthening its position among its peers. It also provided the opportunity to focus on developing the Company's remaining assets and work on building the Company anew on solid foundations. The positive results were reflected on the Company's share performance and its trading activity during the year, which may put the Company at the forefront of the companies nominated for listing in the premier market when the necessary terms and conditions are fulfilled and completed.

During the year 2021, the Parent Company (Aayan Leasing & Investment Company) recorded Profit of KD 6.1 million representing 8.24 Fils EPS and its Equity reached KD 88.3 Million as at the end of year 2021 after a share capital reduction of KD 10 Million by cash distribution (2020 Year end: KD 91.2 Million)

During year 2021, the Parent Company recorded Haircut Income on settlement of Islamic Finance Payable amounted KD 1.4 million (Year 2020 : KD 25.4 million), resulting out of debt settlement with various creditors, due to which its Islamic Finance Payables has been reduced during the year 2021 from KD 9.9 million to KD 3.0 million as at 2021 year-end.

A'ayan Group reported with its consolidated total assets and total liabilities of KD 138 Million and KD 37 Million respectively as at the end of year 2021.

The Company has been consistently focusing on its various business operations, in further enhancing its operational results. The Company has been consistently focusing on its various business operations, in further enhancing its operational results. A continuation of the positive operational performance of the leasing sector can be seen during the year, in addition to the improvement in the results of the real estate sector compared to last year.

Below is a summary of our sector-wise performance & other achievements during the year.

# **Sixth: Company Activities**

# The Leasing Sector:

The leasing sector delivered during year 2021 excellent performance rates to continue its distinguished operational performance with good rise in operating revenues, and a noticeable increase in net profits, as well as an increase in gross profit over the previous year. A'ayan Leasing Holding achieved more progress in its business, as the value of its operating revenues increased to 31,782,336 Kuwaiti dinars for the year 2021, compared to 30,354,893 Kuwaiti dinars for the year 2020.

Gross profit also increased by 11% to reach 9,462,614 Kuwaiti dinars for the year 2021, compared to 8,489,425 Kuwaiti dinars for the year 2020. Similarly, the gross profit margin was 30% for the year 2021, an excellent percentage compared to 28% for the year 2020. The Company achieved a remarkable increase in its net profits by 19%, to reach 6,012,234 Kuwaiti dinars in 2021, compared to 5,058,900 Kuwaiti dinars in 2020.

As part of its constant endeavor to develop its services and provide excellent and upscale experience for operational leasing customers, A'ayan Leasing Holding Company has upgraded and developed its electronic services that contribute to the accelerated completion of transactions so customers can comfortably enjoyed the services. The Company has also been keen to launch many distinctive marketing campaigns throughout the year designed specifically to attract new segments of customers, a part from focusing on presence at customers' fingertip.

On the other hand, and to complement the strategy of A'ayan Kuwait Automotive Company, through which it seeks to continue leading the automotive sector in terms of services provided and the diversity of products, with a focus on excellence in customer service to attain customer's peace of mind during leasing. The focus was on launching distinguished services, including "A'ayan service Nearby You",. The service aimed at satisfying customers and provide the service of completing the leasing transaction in a record time and in the place of customer's as well as many services that keep pace with the situations imposed by Pandemic with a view to achieve competitive edge in customer service.

On the other hand, the management of the Leasing Sector (A'ayan Leasing Holding Company) strengthened its efforts in operational leasing and concluded a number of major deals during the year with a number of the most important and largest car agencies in order to diversify the cars it offers to its clients of companies, ministries and individuals and to provide stronger competitive services and provide new cars to customers in order to satisfy them and provide them with the utmost luxury and quality service. The Company has also succeeded in selling a larger number of used cars through cooperation with various financing agencies.

With regard to subsidiaries, A'ayan Holding continued its efforts to support its subsidiaries and help them develop their businesses, set their plans, and overcome any obstacles they might face. This resulted in an accelerated and noticeable development in the businesses of the subsidiaries of Aayan Leasing Holding Company. The focus was on developing and expanding the activities of the subsidiaries in every aspect related to car rental business, whether long-term, medium-term or short-term (daily and weekly).

It is noteworthy to mention that A'ayan Leasing and Investment Holding Company is wholly owned by A'ayan Leasing and Investment Company and is considered its operational arm in the automotive sector and its services, and manages the car portfolio in Kuwait and abroad. Under the Company there are many subsidiaries, most notably A'ayan Kuwait Automotive Company, which is specialized in leasing and selling used cars, Budget Car Rental, an international rental agency that owns its agency in Kuwait and focuses on short and medium-term leasing operations, and Recap Car Rental, which is specialized in short and medium-term leasing operations. Ayin Garage, which is the main center specialized in repairing and maintaining the fleet of A'ayan cars. It is equipped with the latest devices and equipment, and it has two branches in Shuwaikh Industrial Area and Ahmadi District.

#### Real Estate Sector:

In 2021, the investment real estate market continued to be affected in general in terms of the decline in rental values and the weak demand. This led to an increase in supply, as a result of the continuing repercussions of the Covid-19 pandemic and subsequent decisions and its negative impacts on the real estate sector in general, investment and commercial in particular. The real estate sector has taken steps to overcome the negative impacts of the investment real estate market, including real estate marketing through major companies specialized in real estate marketing and developing the real estate of the Company in order to attract lessors

As for the craft and industrial real estate market, the real estate sector has also worked on real estate marketing and market studies, which led to a reduction in the percentage of vacancies and an increase in the leasing process and occupancy. Several settlements were also completed with a number of investors, their contracts were renewed, and the rental values of those contracts were subject to increase

Among the most important achievements of the real estate sector is the development of the real estate system by adding many features to the system by linking the real estate sector with the various departments in the Company (Finance - Operations - Legal).

In addition to this and to facilitate and speed up transactions conclusion, the payment and collection process has been linked directly with investors through the real estate designated payment system, in addition to sorting all investor and real estate data, contracts, correspondence, all documents, collection data and various requests in the system, which also contains many other features.

The real estate sector has also studied many real estate opportunities that were presented for investment. Recommendations were made to the CEO and one of the offered opportunities real estate opportunities was concluded.

# **Assets Management Sector**

Despite the negative repercussions of the Corona pandemic on the operating environment, the Assets Management Sector's performance was satisfactory with regard to customer asset management. The total assets under management in the "Aawaed" Real Estate Fund increased to approximately 16.7 million Kuwaiti dinars and the net unit value in the fund increased to 604 Fils for each unit. As for the various contractual collective investment systems under liquidation an option has been presented to the shareholders of the "Egypt Fourth Real Estate Portfolio" (under liquidation), and the liquidation of other contractual systems is still in process.

# **Investment Sector:**

The tasks of the Investment Sector focus on finding and scrutinizing promising investment opportunities in various sectors befitting in this from the relation network with investors, promoters and specialized advisory offices, in addition to following up and monitoring the Company's existing investments. Investment activities in the Company cover, but are not limited to, investing in Sukuk, securities, funds, investment portfolios, investing in real estate, collective investment activities, acquisitions and mergers, and various contributions to the capital of companies.

In 2021, Tawazun Holding Company was classified among the Group's affiliated companies specifically in mid-2021, after A'ayan Leasing and Investment Company ceased to consolidate its financial statements after losing control on it in the previous year. In 2021, Mubarrad Holding Company managed to achieve a net profit of KD 1.68 million, compared to a net profit of 3 million KD in 2020. In addition, A'ayan Real Estate Company managed to reduce its losses from KD 11.6 million in 2020 to KD 0.8 million in 2021.

## Seventh: Progress on Corporate Governance Standards and Rules

Compliance with the regulatory requirements and application of effective and proactive internal controls has always been a priority for Aayan Leasing and Investment Company. As such, the Company prepares the necessary reports to meet all the standards and rules related to the implementation of corporate governance and takes into account the guidelines and instructions issued by the Capital Markets Authority. In accordance with the CMA requirements, a detailed report on governance is included in the Company's annual report.

Abdullah Mohammed Al-Shatti
Cheif Executive Officer



# **Sharia Supervisory Board Report**

Date: 9 Rajab 1443 AH 10 February 2022



#### In the name of Allah, the All Compassionate, the Most Merciful

Praise be to Allah, Lord of all worlds and may peace and blessings be upon our Prophet Mohamed, His family and His companions
Dear Shareholders of A"Ayaan Leasing and Investment Company
Peace & blessing be upon you

As per the General Assembly Resolution for our appointment and assignment as the Shari'a Supervisory Board of the Company, we present the following report:

We have controlled and reviewed the principles applied and the contracts used for the transactions and products introduced by the Company during the financial period ended 31 December 2021 to express an opinion as to whether the Company has complied with Shari'a Rules and Principles as per the Fatwas, rulings, decisions and guidelines set by the Shari'a Supervisory Board.

The Company's management is responsible for the Company's compliance with Islamic Shari'a Rules and Principles in all its operations. It is also responsible for ensuring and maintaining that compliance. Our responsibility is only to express an independent opinion on the Company's compliance with the rules and principles of Islamic Shari'a, based on our monitoring and review and to present a report on the extent of compliance.

We have done our control and review, which included examining the contracts and procedures applied by the Company, on a test basis of each type of transactions. We planned and performed our control and review so as to obtain all the information and explanations that we deem necessary to provide us with sufficient evidences to give reasonable assurance that the Company has not violated the Islamic Shari'a Rules and Principles.

## Our opinion is as follows:

- 1-. We have reviewed the investment structures of the Company, which are either investment funds, or investment portfolios. We have reviewed the articles and memorandum of associations of these funds and portfolios. We found them in compliance with the rules and provisions of Islamic Shari'a;
- 2. The contracts, transactions, all documents and new products, if any, concluded by the Company during the year ended 31/12/2021 made under our review are in compliance with Islamic Shari'a Rules and Principles.
- 3. During the fiscal year ended 31 December 2021, we issued 90 decisions concerning some enquiries raised by the Company to the Shari'a Supervisory Board.
- 4. All policies and procedures in place at the Company have been set in compliance with the Islamic Shari'a Rules and Principles. Whenever such policies and procedures are subject to any amendments, the amendments are presented to the Shari'a Supervisory Board to ensure they are undertaken in accordance with the rules and principles of Islamic Sharia.

May Allah the Almighty guide us to success and to the right path . Peace & blessing of Allah be upon you

Approval of the Reverenced Sharia Board

Sheikh Prof. Sayed Mohamed AbdulRazaq Al-Tabtabae Chairman of Sharia Supervisory Board Sheikh Prof. Ahmed Al-Haji Al-Kurdi Member of Sharia Supervisory Board **Sheikh D. Khalid Shoga'a Al Atibi** Member of Sharia Supervisory Board

# Final Report of the External Shari'a Auditors

Al-Mashoura & Al- Raya For Islamic Financial Services External Shari'a Auditors' Report for the Year 2021

14/02/2022

To M/s: A'Ayan Leasing & Investment Company (A'Ayan)



# Subject: Final Report of the External Shari'a Auditors for the Financial Period from 1 January 2021 to 31 December 2021

Peace, mercy and blessings of Allah be upon you:

The External Shari'a Audit firm "the Shari'a Auditor" on Monday, 13th Rajab 1443 corresponding 14th February 2022, after perusing the information received based on the request to review the operations and activities undertaken during the aforementioned period. Following the field visits conducted and the study of the responses and attachments and in light of the above, the Shari'a Auditor presents this report as follows:

## First: Scope of the External Shari'a Auditor

The External Sharia Auditor's scope of Work covers the functions of A'ayan Leasing and Investment Company various departments/ divisions by monitoring all their commercial and financial transactions and securities and contracts dealings in accordance with the decisions of the Shari'a Supervisory Board, the approved Shari'a provisions and the instructions issued by the supervisory authorities concerning Shari'a audit.

## second: External Shari'a Auditor's Responsibility

The Responsibility of the External Shari'a Auditor is to verify the extent of the Company's compliance with the decisions of the Shari'a Supervisory Board, the Shari'a provisions and the instructions of the supervisory authorities related to Shari'a audit. Our responsibility is to express an independent opinion based on our audits on the commercial and financial transactions and securities and contract dealings..

# Third: Company's Responsibility

The Company's Executive Management is responsible for performing all commercial and financial transactions and securities and contracts dealings in accordance with the decisions of the Shari'a Supervisory Board, Shari'a provisions and the instructions of the supervisory authorities concerning Shari'a audit.

# Fourth: Objectives of the External Shari'a Auditor's Report:

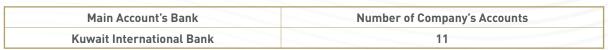
- Ensuring compliance with and implementation of the Islamic Shari'a provisions in accordance with Shari'a Supervisory Board's decisions, Shari'a provisions and the instructions of the supervisory authorities concerning Shari'a audit.
- Ensuring that securities, commercial and financial transactions and contracts under our examination and review are in accordance with the decisions of the Shari'a Supervisory Board, Shari'a provisions and the instructions of the supervisory authorities concerning Shari'a audit.
- Ensuring the integrity of transactions procedures, the areas responsible for such transactions and the stages of their execution.
- Ensuring the availability of Shari'a reference rules of these transactions.
- Providing Shari'a remedies for violations if any in securities, commercial and financial transactions, contracts or the methods of their implementation and setting a period for performing these remedies.
- Conducting and documenting field visits.
- Reviewing the reports of the Internal Shari'a Audit Unit.

# Final Report of the External Shari'a Auditors



We have:

- 1- Reviewed the Board- approved organizational structure
- 2- Reviewed the Company's bank accounts.



- 3 Reviewed the Company's Internal Shari'a Audit report.
- We have reviewed the reports issued by the Company's internal Sharia auditor for the first, second, third and fourth quarters of year 2021
- 4- Review financial statements for the year 2021.
- We have reviewed the Financial Statements.
- 5- Examined investment portfolios and their components.
- We have examined the (6) investment portfolios, their contents and movements of the same.
- 6- Examine the dividends, and ensured that the profits have been purified during the period, if any.
- · Review the profits purifying document, if any.
- 7 Reviewed the Decisions of the Shari'a Supervisory Board:
- Reviewing the Contracts implementing the Shari'a Supervisory Board's decisions issued during the period, namely (54) contacts.
- Reviewing the other decisions of the Shari'a Supervisory Board and their minutes of meetings (7 decisions).
- Reviewing the approval of the Shari'a Supervisory Board to the new or amended policies and procedures during the period, namely (29 policies/ procedures).
- 8 Examined and reviewed the securities, commercial and financial transactions and contracts that were carried out by the concerned areas in the Company and the stages of their execution. The details of which are as follows:

SN	Responsible Area	Activity
1	Real Estate Sector	Follow up on the Company's Real Estate
2	Information Technology Department	Follow up on the Company's system and internal network
3	Operations Department	Review of the Company's activities
4	Financial Department	Follow up on the financial affairs of the Company (balance sheets, payments and collections)
5	Legal Department	Follow up on the Company's legal cases with the external law firm and ensuring the legal aspects of the Company's contracts
6	Compliance Department	Ensuring the application of regulatory authorities' decisions
7	Human Resources and Administrative Affairs Department	Follow up on personnel affairs
8	Assets Management Department	Follow up on the Company's assets' dealing inside and outside Kuwait
9	Capital Investment Department	Communication with portfolios and funds 'customers
10	Investment and Corporate Finance Department	Investment activities



# Final Report of the External Shari'a Auditors

9- Ensuring the Shari'a reference rules of securities, commercial and financial transactions which were examined as follows:

SN	Transaction	Shari'a Reference
1	Opening of Portfolios	Shari'a Supervisory Board

- 10 On-site Visits and Results
- On Tuesday 23/11/2021.
- On Tuesday 08/02/2022
- 11 Shari'a Violations (if any): No

## Sixth: Final Opinion and Recommendations

The External Shari'a Audit Firm concluded a final opinion that there were no findings or remarks on the transactions executed during the said financial period in accordance with the decisions of the Shari'a Supervisory Board, Shari'a approved provisions and the instructions of the supervisory authorities concerning Shari'a Audit.

External Shari'a Auditor **Dr. Abdulaziz Khalaf Jarallah** 

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Legal Representative
Yehia Al Hammadi



# Audit Committee Report for the fiscal year ending on 31 December 2021

### Introduction

The Audit Committee as of December 2021,31 consists of:

S	Name	Capacity of Membership in the Board	Capacity of Membership in the Committee
1	Abdulaziz Nasser Al-Marzouq	Non-Executive Member	Chairman of the Committee
2	Talal Mohammad Reda Behbehani	Independent Member	Member of the Committee
3	Riyadh Nasser Al-Bader	3 Non-Executive Member	Member of the Committee

# Committee meetings and achievements:

The Audit Committee was formed on June 2020, 14, and during the year 2021 the Committee held 5 (five meetings), and its most important achievements included the following:

- · Reviewing and approving the risk assessment audit plan.
- · Reviewing the internal audit business with relation to the implementation of the approved internal audit plan.
- · Reviewing and discussing the internal auditor's reports and propose the related recommendations.
- Examining the Shari'a auditor's reports, discussing them and propose recommendations.
- Discussing the internal control systems report and propose the necessary recommendations to rectify the remarks contained in the reports.
- Meeting with the external auditor on regular basis and discussing the interim financial statements to determine the Company's financial position more accurately.
- Discussing many of the company's policies and procedures manuals.

# The Committee's opinion regarding the Company's internal control environment:

Through the Committee's follow-up and supervision in 2021 of the risk assessment internal audit process, the Committee believes that the Company has an adequate and effective control environment. However, the Committee was able to conclude and identify some of the gaps in the policies and procedures, whether through internal reports or the observations of the regulatory authorities, and was able to propose the necessary recommendations to address the same.

The Committee also noted the executive management endeavors to apply internal control mechanisms and systems to ensure the safeguarding the Company's assets and ensure the soundness of the financial statements, in addition to improving the control environment without affecting the efficiency of the Company's operational processes and the efficiency of its financial and administrative aspects.



## Introduction:

Over the past years, A'ayan Leasing and Investment Company has been working to build a solid base for governance to serve as a key approach in all its operations. Such base is crystalized in approving a set of rules, principles, processes and systems that govern the relations of the Company's board of directors, executive management, shareholders, stakeholders and other related parties with the aim of documenting professional and ethical code of conduct, enhancing control and accountability process and ensuring sound managerial organization.

The Company endeavors in this field proved fruitful and paid off during the past year enabling the Company to continue meeting the challenges resulted from the emergent situation posed by the spread of the Novel Corona Virus – (Covid 19) and the resulting reorganization of dealings withs some sectors in accordance with the plan of the health authorities in the State of Kuwait to confront and mitigate the spread of the virus. The Company continued to remotely provide its services and meet all the requirements of the relevant regulatory authorities.

Many criteria and elements have been approved to ensure that all factors are evaluated in order to achieve sustainability, transparency, confidentiality, accountability and justice. These constitute the main pillars of all our financial and business transactions and practices. They also regulate the relationship between the Company and its shareholders, related parties and stakeholders alike. These pillars also represent the basic approach of A'ayan's employees in performing their daily duties to maintain compliance with laws, regulations, rules of professional and ethical conduct all under the umbrella of Islamic Sharia principles.

The legal and regulatory framework of A'ayan's Management approach is derived from the provisions of the Companies Law and its Executive Regulations, the Executive Regulations of the Capital Market Authority's Law No. 7 of 2010 for the Incorporation of the Kuwait Capital Markets Authority "CMA" and the Organization of Securities Activities as amended, the Company's Articles of Association and the policies and procedures manuals approved in line with professional practices of Corporate Governance Rules issued by Kuwait Capital Markets Authority (CMA).

# Rule I

## Constructing a Balanced Board Composition

# Board of Directors Composition

The diversity in the academic and professional experiences and specialized skills is the pillar of the formation of A'ayan Leasing & Investment Company's board of directors. This qualifies the Company to keep pace with the rapid development in the global business environment and the growing business requirements. The Company is managed by an elected Board of Directors regulated by the Company's Articles of Association in terms of the board formation, the number of its members and the term of membership in such a balanced manner that supports the Board fulfillment of its roles and duties, enables the formation of the necessary number of board committees according to the corporate governance requirements. In the board composition, the Company has taken into account the diversity of professional and academic experiences, specialized skills and a full understanding of all the Company's business and the risks to which the Company's financial position may be exposed to with a view to support the process of taking the right decision at the right time.

A'ayan Board of Directors consists of a chairman and a vice-chairman elected by secret ballot, a majority of non-executive members and a sufficient number of independent members who are assigned tasks within the functions and activities of the board committees associated with the Company's various business to support the process of taking sound decisions in the best interest of the Company as follows:

Board Member	Position	Educational and Practical Experience	Election/ Appointment Date
Mr. Fahad Ali Mohammed Thunayan Al-Ghanim	Board Chairman (Non- executive)	<ul> <li>Mr. Fahed Ali Mohammed Thunayan Al-Ghanim has over 18 years of professional experience in key positions for managing investment companies inside and outside the State of Kuwait covering various fields of finance, banking, investment and trade activities. He held several positions in various companies such as:</li> <li>Member of Board of Directors, Member of the Executive Committee and Member of the Audit &amp; Compliance Committee in Kuwait Finance House "KFH" since 2014.</li> <li>Chairman of the Investment Committee at KFH since 2016;</li> <li>Member of the Merger Committee at KFH since 2018</li> <li>The Chief Executive Officer of Ali Alghanim &amp; Sons Automotive Company since 2005.</li> <li>Vice Chairman of the Board of Directors of Al-Ahlia Heavy Vehicles Selling &amp; Imports Company sole agent of (MAN TRUCKS) since 2011.</li> <li>Member of the Board of Directors of McLaren Agents Representatives from 2010 to 2015.</li> <li>Member of the Board of directors of Kuwait Building Materials Manufacturing Co. since 2004.</li> <li>Member of the Board of Directors and Fund Custodian of Kuwait Sporting Club since 2007.</li> <li>Member of the Board of Directors of the Universal Payment Services (UPS) since 2005-2011</li> <li>Member of the Board of Directors of Al-Oula Abattoirs Co. W.LL Since 2003-2005</li> <li>Member of Kuwait Engineers Society since 2003</li> <li>Al-Ghanim completed his studies in Kuwait having BA degree in Civil Engineering from Kuwait University and then started his career as CEO of Alghanim &amp; Sons Group of companies - Contracting Sector. He then held several key positions in various companies and institutions on which he had significant impact on their profitability, growth and financial position.</li> </ul>	14/06/2020
Vice Chairmai (Non- executive)		Abdulaziz Al-Marzouq has more than 20 years of professional experience in the fields of financial and banking business, where he held many leading positions in several institutions inside and outside the State of Kuwait in various investment, commercial and financing activities throughout that period. Mr. Al Marzouq holds Several positions in many companies, including:  • Member of the Board of Directors and Chief Executive Officer of KFH Capital Investment Company.  Al Marzouq was graduated from San Jose University, California, USA with a Bachelor of Finance and later received an MBA from London Business School, UK.	14/06/2020

Board Member	Position	Educational and Practical Experience	Election/ Appointment Date				
		Al-Mubarak has more than thirty years of professional experience in the financial sector, where he held many leading positions throughout the period. He holds the following positions:					
		Chairman of A'ayan Real Estate Company.					
		Member of the Board of Directors of Mashaer Holding Company.					
Mansour Hamad Al-Mubarak	Executive	CEO of Aayan Leasing & Investment Company.	14/06/2020				
Plansoal Flanad At Plasarak	Board Member	A-Mubarak completed his studies in the United States of America with a Bachelor of Business Administration - Finance from Western Michigan University, USA. Mr. Mubarak has dedicated his time and efforts for developing and strengthening the financial position of the company, maximizing revenues, maintaining shareholders' equities and working on commitment of the Company' Financial Rescheduling Plan.	14/00/2020				
		Talal Behbehani has professional experience in both investment and commercial fields that enables him to serve as an independent member of the Board of Directors of Aayan Leasing and Investment Company. He has more than 25 years of experience in executive and leading positions at various banking and financial institutions inside and outside Kuwait. Talal Behbehani holds many key positions in various companies including:					
		Chairman of the Board of Directors of Al-Ahli Bank of Kuwait.					
Talal Mohammed Reda Behbehani	Independent	• Vice Chairman of Kuwait Insurance Company.					
iatat Monaninieu Keua Benbenani	Board Member	General Manager of Mohammed Saleh and Reza Yousef Behbehani.	14/06/2020				
		General Manager of Behbehani Mercantile Motors.					
		Member of the Board of Directors of Al Mulla & Behbehani Auto Company.	)				
		Mr. Behbehani completed his study in the State of Kuwait having BA degree from the Faculty of Arts, English Language, Kuwait University. He was a member of the Board of Directors of the Industrial Bank of Kuwait from 2003 until 2007.					
Riyad Nasser Al-Bader	Non- executive member	Al Shatti joined A'ayan Leasing and Investment Company in 2006. He has more than 12 years of professional experience in the field of investment. He started career at the engineering training program of the Kuwait Fund for Arab Economic Development. He then moved to the Private Wealth Management Department at Kuwait Financial Center Company. Then he joined A'ayan Leasing and Investment Company where he went through career development and held many positions till promoted to Deputy CEO for Investment. He is a member of the Board of Directors of several investment and real estate companies inside and outside the State of Kuwait, including the Chairman of the Board of Directors of Mubarad Transport Company (a listed company in Boursa Kuwait Securities market), Annan Company for Real Estate Finance and A'ayan Real Estate Company.	14/06/2020				
		Al-Shatti has BA in Computer Engineering from Kuwait University, an MBA from The Hong Kong University of Science and Technology and a Certified Financial Analyst (CFA).					

Board Member	Position	Educational and Practical Experience	Election/ Appointment Date
Nasser Ibrahim Boresli	Non- executive member	Mr. Boresli has more than 20 years of experience in the financial and banking sector. He has gone through career development at the Commercial Bank of Kuwait to take up the position of Deputy General Manager, Commercial Credit Division. Mr. Boresli graduated from the University of San Bernardino, California, USA having BA in Management - with focus on General Administration.	14/06/2020
Muhannad Mohamed Al-Sanea	Independent Board Member	Mr. Al-Sanea has more than twenty years of professional experience in many investment and business fields and held leading positions such as Chairman and CEO of Al Reyada Finance and Investment Company KSCC, and a member of the Board of Directors of KFH Financial Brokerage Company. In addition to his long management experience in the field of financial and banking services (Burgan Bank - Ahli United Bank), Mr. Al-Sanea holds a Bachelor of Commerce - Accounting Department from Kuwait University, as well as certificates in Real Estate Management, Leading and Building a Culture of Innovation, Developing Leadership Skills and Management Diploma from Harvard Business School, USA.	14/06/2020

# • The Board Secretary

Board Member	Position	Educational and Practical Experience	Election/ Appointment Date
Abdullah Mohammad Al-Shatti	The Board Secretary	Mr. Al Shatti joined A'ayan Leasing and Investment Company in 2006. He has more than 12 years of professional experience in the field of investment. He started his career at the Engineering Training Program of the Kuwait Fund for Arab Economic Development. He then moved to the Private Wealth Management Department at Kuwait Financial Center Company. Then he joined A'ayan Leasing and Investment Company where he went through career development and held many positions till promoted to CEO. He is a member of the Board of Directors of several investment and real estate companies inside and outside the State of Kuwait, including the Chairman of the Board of Directors of Mubarad Transport Company (a listed company in Boursa Kuwait Securities market), Annan Company for Real Estate Finance and A'ayan Real Estate Company.  Al-Shatti has BA in Computer Engineering from Kuwait University, an MBA from The Hong Kong University of Science and Technology and a Certified Financial Analyst (CFA).	14/06/2020

### Meetings of the Board of Directors

The Board of Directors holds at least six regular meetings in the financial year in presence of the majority of its members at the invitation of the Board Chairman or at the request of at least two members. The members of the Board are provided with the agenda and related documents at least three days before the meeting date so that the members can study the issues raised to the meeting and take appropriate decisions thereon. The Company's Articles of Association governs the process of organizing members' attendance at the meetings as well as the process for dealing with cases of members' unpunctuality in attending the board meetings. The board meetings for the fiscal year ended 31December 2020 were as follows:

Board Member	Meeting (1) 04/02/2021	Meeting (2) 29/04/2021	Meeting (3) 03/08/2021	Meeting (4) 04/11/2021	Meeting (5) 14/12/2021	Meeting (6) 30/12/2021	No. of Meetings
<b>Fahed A. Al-Ghanim</b> Board Chairman	<b>✓</b>	~	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>~</b>	6
<b>Abdulaziz N. Al-Marzouq</b> Vice Chairman	Apologized	~	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>~</b>	5
<b>Mansour H. Al-Mubarak</b> Board Member	✓	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>✓</b>	6
<b>Talal M. R. Behbehani</b> Independent Board Member	✓	✓	Apologized	<b>✓</b>	<b>✓</b>	Apologized	4
Nasser I. Boresli Board Member	✓	✓	✓	✓	✓	<b>✓</b>	6
<b>Riyad N. Al-Bader</b> Board Member	✓	✓	✓	✓	✓	✓	6
Muhannad M. Al-Sanea Independent Board Member	✓	✓	Apologized	✓	✓	✓	5

## Recording, coordinating and keeping the minutes of the Board of Directors Meetings

The Board of Directors has appointed a Secretary to the Board amongst the Company's employees acting in accordance with the board-approved duties and responsibilities manual. This manual defines and ensures that the Board secretary undertakes his duties as per the rules of Corporate Governance mandated by the Executive Regulations of Law No. 7 of 2010 concerning the Capital Markets Authority Incorporation and Regulation of Securities as amended.

The Board Secretary provides members of the Board with sufficient and relevant information on the items to be discussed at least three working days before the board meetings to enable the members to study them before taking the appropriate decisions. The Board Secretary also records all discussions of the members of the Board during each meeting in written minutes serialized and ordered in a special register. The attending members, their votes on the decisions taken during the meeting are written down and members signatures on the minutes are obtained.

The Secretary ensures sound delivery and dissemination of the reports, information, documents and agendas relevant to the Board's duties in timely manner. In addition, he ensures that the members have full and timely access to information, documents and records of the Company in orderly and organized manner. He provides the Board of Directors and the Board committees with all documents, information and periodic reports of relevance to the Company's various activities issued by the Company's Executive Management.

### The Independent Members' acknowledgment of the availability of independent controls.

The nominee as an independent member must submit a declaration to the Ministry of Commerce and Industry acknowledging that he meets the independence controls stipulated in the Executive Regulations of the Capital Markets Authority, and the following is the declaration of the independent members of the Board of Directors of Aayan Leasing and Investment Company:

I, the undersigned, in my capacity as an (independent) board member of Aayan Leasing and Investment Company, declare that I understand the conditions of independence contained in the instructions of the Capital Markets Authority and acknowledge the following:

- 1. I do not own 5% or more of the company's shares, and I do not represent any of the shareholders who own 5% of the company's shares.
- 2. I have no first-degree relationship with any of the members of the board of directors or the executive management of the company or any of its group or the main parties related to the company
- 3. I am not a member of the board of directors of any company from the company's group.
- 4. I am not an employee of the company or of any company of its group, or of any of the company's stakeholders.
- 5. I am not an employee of legal persons who have controlling stakes in the company.
- 6. I have no interest or relationship with the company that may affect my independence, and I acknowledge that I am aware of the duties and responsibilities of an independent member of the Board of Directors, and that I undertake to inform the Board of Directors immediately in the event of any change that may affect my independence in accordance with the above clauses and I bear any obligation or a violation that may be imposed on the company due to my failure to notify the company of any change that may affect my independence.

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Talal M. R. Behbehani Independent Board Member

Acknowledger



# Rule II

## **Proper Identification of Duties and Responsibilities**

## Duties and Responsibilities of the Members of the Board of Directors:

A'ayan Board of Directors has all the powers and authorities necessary to manage the Company. The ultimate responsibility for the Company's management remains with the Board even if it sets up committees or delegates other entities or people to do so. The members of the Board of Directors define the general framework of governance and supervise the process of its implementation in accordance with the rules of professional and ethical code of conduct in consistency with the principles and provisions of the honorable Islamic Sharia. As well, the Board works to preserve and promote the rights of shareholders.

The Company's Articles of Association stipulates the responsibilities and duties of the members of the Board of Directors in line with the rules provided for in the Companies Law and the Executive Regulations of Law No. 7 of 2010 concerning the Incorporation of the Capital Market Authority and the Regulation of Securities Activities, its Executive Regulations as amended in a manner that crystallizes and defines those tasks and combines them into a single document that reflects the details of those provisions. The Board has approved its internal charter and job descriptions for the executive and non-executive members of the Board of Directors and the chairman, which reflect and define the various tasks, responsibilities and duties of the Board of Directors and the members of the board towards the Company.

### Duties and responsibilities of the executive management and its vested powers and authorities:

The Executive Management of the Company undertakes many duties and responsibilities in the light of the powers and authorities conferred on the executive management by the Board of Directors, the most important of which are: Implementing the strategy and the annual plan through the policies, regulations and charters approved by the Board, preparing periodic financial and non-financial reports on the progress achieved on the Company's plans and strategy, presenting the results to the Board of Directors and the concerned parties in the Company. Furthermore, the executive management shall be responsible for ensuring that there is in place an accurate accounting system that reflects in detail the financial statements and income computations and accounts, working on maximizing profits and cutting down expenses in light of the approved strategy and effective participation in creating and developing a culture of ethical values in the Company. The Executive Management operates according to work policies approved by the Board of Directors.

In enforcement of the approved policies and procedures and for supporting the Executive Management to efficiently undertake its duties and functions, the Board of Directors has approved the financial and administrative authority matrix that regulates the authorities and powers as well as the delegations granted to the Executive Management in a manner that supports the process of quick decision taking by the authorized personnel while taking into account fair allocation of powers to achieve the highest assurance and control levels when implementing decisions in line with best practices in corporate governance.

## A'ayan Board of Directors' Key highlights for the financial year ended December 2021

- Follow up on the implementation of the General Assembly's decision to reduce the capital by 10 million Kuwaiti dinars distributed in cash to shareholders after the approval of the regulatory authorities according to the set time.
- Follow up on the implementation of the General Assembly's decision regarding dealing with the company's treasury shares.
- Follow up the performance of the company's various sectors and its most prominent developments on a regular basis.
- Follow up on the work and performance of the Board committees and identify the most prominent issues discussed in such committees on a regular basis.
- Discussing the latest developments of the plan to restructure the financial obligations of the company on an ongoing basis and directing the executive management to take the necessary measures in the best interest of the company.
- Approving the annual budget and annual business plan for the company.
- Approving the action plans for the Compliance Department and Customer Complaints Unit.
- Discussing and approving the company's interim financial statements according to the set time.
- Regular review and approval of charters, policies and work procedures for the company's various sectors and follow-up on compliance with the same.
- Follow-up the extent of the executive management's compliance with the instructions of the regulatory authorities, discussing the observations and violations received from those authorities, ascertaining the measures taken to avoid such violation and observations with the best practices, responding to the concerned authorities through the executive management regarding the rectification of such violations and observations, and ensuring that they are not repeated.
- Follow up the performance of each member of the Board of Directors and the Executive Management according to the objective performance indicators (KPI's).

#### Formation of the Board Committees

The Board of Directors forms and approves sufficient and specialized number of board committees in accordance with approved bylaws, rules and charters that reflect and define the tasks and duration of these committees and the powers conferred into them and ensure the Board oversight on their work. The Committees have to advise the board on the results of their work and the findings and the conclusions reached under absolute transparency. The Board Committees shoulder the full responsibility for their actions before the Board in a way that does not preclude the board of directors from the ultimate responsibility of following up the activities of the board committees.

#### First: Audit Committee:

#### **Duties of the Audit Committee:**

- 1. Reviewing the periodic financial statements before submitting them to the Board of Directors, expressing opinion and recommendation and submitting them to the Board of Directors, with a view to ensure fair and transparent financial reports.
- 2. Raising recommendation to the Board of Directors on the appointment and reappointment of external auditors, changing or fixing their fees. When recommending the appointment of the external auditors, consideration should be given to ensure their independence and reviewing their engagement letters
- 3. Following up the external auditors work and ensuring that they do not provide services to the Company other than the services necessary for the audit profession.
- 4. Studying external auditors' observations on the company's financial statements and following up actions taken in this regard.

- 5. Studying the accounting policies used and expressing opinion and recommendation to the Board of Directors.
- 6. Evaluating the adequacy of the internal control systems applied in the Company and preparing a report that demonstrate the Committee's opinion and recommendations in this regard.
- 7. Performing technical supervision on the company's Internal Audit Department to ensure its effectiveness in carrying out the tasks and duties set by the Board of Directors.
- 8. Recommending the appointment of the chief internal auditor, his transfer, removal, and evaluation of his performance and the performance of the Internal Audit Department.
- 9. Reviewing and approving the audit plans proposed by the chief internal auditor, and making observations thereon.
- 10. Reviewing the findings of the internal audit reports, and ensuring that the necessary corrective actions have been taken regarding the observations in the reports.
- 11. Reviewing the findings in the regulatory authorities reports and ensuring that the necessary measures have been taken in this regard.
- 12. Ensuring that the Company complies with the relevant laws, policies, regulations and instructions.

### Meetings of the Audit Committee during the financial year ended 31 December 2020

The Committee held 5 meetings during the financial year ended 31 December 2021 as follows:

Members of the Committee	Meeting No.	1	2	3	4	5
formed on 14/6/2020 similar to the BOD Term	Meeting date	03/02/2021	29/04/2021	03/08/2021	02/11/2021	14/12/2021
Abdulaziz N. Al-Marzouq	Chairman of the Committee	<b>√</b>	apologized	<b>√</b>	<b>√</b>	<b>√</b>
Riyad N. Al-Bader	Member	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
Talal Behbehani	Member	<b>√</b>	<b>√</b>	<b>√</b>	apologized	✓

#### Audit Committee Key Achievements for the Year ended 31 December 2021

- Discussing internal audit reports periodically, and giving necessary recommendations for resolving issues raised in the reports.
- · Discussing internal control review report, and giving necessary recommendations for resolving issues raised in the report.
- Approving the Company's annual Internal Audit Plan.
- Discussing the report covering the implication of Covid-19 Pandemic on the Company's financial statements and business activities.
- Discussing the violations raised by regulatory authorities and give recommendations to the Board for resolution.
- Meeting the external auditor periodically and discussing the interim financial statements to better be aware of the Company's financial position.
- Discussing and reviewing audit activities, policies and procedures manuals.

# Second: Risk Management Committee

#### **Duties of Risk Management Committee**

- 1. Prepare and review risk management strategies and policies before being approved by the Board of Directors, and ensure that these strategies and policies are implemented, and that they are commensurate with the nature and size of the Company's activities.
- 2. Ensure the availability of adequate resources and systems for the Risk Management Department.

- 3. Evaluate the systems and processes for identifying, measuring, and following up the different risk types that the Company may be exposed to, in order to determine deficiencies.
- 4. Assist the Board of Directors in determining and assessing the acceptable level of risk (risk appetite) in the Company, and ensure that the Company does not exceed this risk level after being approved by the Board of Directors.
- 5. Review the organizational structure of Risk Management Department and make recommendations thereon before it is approved by the Board of Directors.
- 6. Ensure the risk management staff's independence of the activities that may result in the Company's exposure to risks.
- 7. Ensure that risk management staff have a full understanding of the risks associated with the Company, and working to increase staff awareness of the risk culture.
- 8. Prepare periodic reports on the nature of the risks to which the Company is exposed, and submitting these reports to the Company's board of directors.
- 9. Review the issues raised by the Board Audit Committee that may affect the Company's risk management.

### Meetings of the Risk Committee during the financial year ended 31 December 2020

The Committee held 4 meetings during the financial year 2021 as follows:

Members of the Committee formed on 14/6/2020	Meeting No.	1	2	3	4
similar to the BOD Term	Meeting Date	04/02/2021	29/04/2021	29/08/2021	30/12/2021
Talal Behbehani	Chairman of the Committee	<b>√</b>	<b>√</b>	<b>√</b>	$\checkmark$
Riyad N. Al-Bader	Member	<b>✓</b>	<b>✓</b>	$\checkmark$	$\checkmark$
Nasser Borousli	Member	<b>√</b>	<b>√</b>	$\checkmark$	$\checkmark$

#### Risk Committee Key Achievements for the Year ended 31 December 2021

- Discussing the risks to which the Company has been exposed periodically and giving the necessary recommendations to the executive management to deal with these risks.
- Discussing the transactions that might result in conflict of interests with related parties (subsidiaries and associates) and ensuring the integrity of the measures taken.
- Reviewing several policies and procedures related to the Company's risk management activities.
- Discussing and approving capital adequacy policy and procedures and presenting the same to the Board of Directors.
- Discussing and following up the company's interim risk reports and raising the same to the Board of Directors for approval.

#### Third: Nomination and Remuneration Committee

#### **Duties of Nomination and Remuneration Committee**

- 1. Raising recommendations to accept the nomination and re-nomination of the members of the Board of Directors and the Executive Management.
- 2. Setting a clear policy for the remuneration of the members of the Board of Directors and the Executive Management, with an annual review of the requirements of appropriate skills for membership of the Board of Directors.
- 3. Attracting applications from those wishing to occupy executive positions, as needed, and study and review these applications.
- 4. Determining the various packages of remuneration that will be awarded to employees, such as the fixed remuneration, performance-related rewards, the share- based payments and the end-of-service indemnity.

- 5. Setting job descriptions for Executive Board members, non-executive members, and independent members.
- 6. Ensuring that the independence status of the independent board member is not impaired.
- 7. Preparing a detailed annual report on all remunerations granted to members of the Board of Directors and the Executive Management to be presented to the Company's General Assembly Meeting for approval. That report should be recited by the Chairman of the Board of Directors as per the approved format.
- 8. Studying and approving the Guideline Manual for the evaluation process of the Board of Directors and the Company's Executive Management.
- Meetings of the Nomination and Remuneration Committee during the Year ended 31 December 2021:

The Committee held 4 meetings during the financial year 31 December 2021 as follows:

Manufactor of the Committee forms of an 1/// 2000 circiles to the DOD Towns	Meeting No.	1	
Members of the Committee formed on 14/6/2020 similar to the BOD Term	Meeting date	04/02/2021	
Abdulaziz N. Al-Marzouq,	Chairman of the Committee	<b>√</b>	
Mansour Al-Mubarak	Member	<b>√</b>	
Talal Behbehani	Member	<b>√</b>	

#### Nomination and Remuneration Committee Key Achievements for the Year ended 31 December 2021

- Taking many decisions by circulation in relation to issues related to the work of the committee.
- Presenting and reviewing the resumes of some candidates for senior executive positions before making the appointment decision and starting the
  registration process for the jobs that must be registered with the Capital Markets Authority.
- The committee reviews the job descriptions of the registerable jobs and senior executives on an annual basis, and accordingly the committee decided to approve the job descriptions and authorize the concerned department to complete the necessary approvals.
- The Committee periodically reviewed the human resources policy and submitted it to the Board of Directors for approval.

The above committees perform their roles in accordance with the approved charters and regulations that clearly define their term, tasks, responsibilities and powers, as well as their delegation by the Board of Directors to undertake their tasks perfectly.

#### Board members access to information and data

The Company uses direct and indirect platforms and channels of communication that enable the members of the board of directors in general and independent and non-executive members in particular to get full and immediate access to all information, documents and records related to the Company's business. The executive management provides the board of directors and the Board committees with all required documents and information through automated information systems that generate periodic reports or through direct communication with the concerned departments, as well as reports issued by the Board committees to enable Board members to take appropriate decisions in an effective manner.

## Rule III

## Selecting qualified candidates for membership of the Board of Directors and the Executive Management

#### Nominations and Remuneration Committee:

To ensure that the Board of Directors prepares the recommendations related to the nominations for the positions of members of the Board of Directors and the executive management and the policies and procedures regulating the granting of compensation and remunerations, the Board of Directors has approved the formation of the Nomination and Remuneration Committee and vested it the authorities to carry out its role thoroughly.

The Nomination and Remuneration Committee was formed on 14/6/2020 approving the same previous formation. The Committee's is co-terminus the Board of Directors' term (i.e., three years). The Committee is composed of three members and holds periodic meetings; minimum one meeting during the financial year.

### Report on the Remunerations to the Members of the Board of Directors and the Executive Management

The Committee works in accordance with the approved general framework to determine the remuneration of the members of the Board of Directors according to the provisions of Article No. (198) of the Companies Law No. 1 of 2016, as well as the requirements of the XV Rulebook "Corporate Governance" of the Executive Regulations of Law No. 7 For the Year 2010 regarding the Incorporation of the Capital Markets Authority. The Committee ensures that the Remuneration Report is then presented to the General Assembly for approving the proposed remunerations for the board members. The remunerations for both the members of the Board of Directors and the Executive Management were as follows:

## • With regard to remuneration and benefits to the Board of Directors:

The remunerations of the members of the board of directors are approved by the company's ordinary general assembly by presenting the same in a separate item on the assembly's agenda. The following is a statement of what was done during the fiscal year 2021:

#### **Board remunerations and benefits**

Total Board Members 7	Remunerations and benefits through the parent company				Remunerations and benefits through the subsidiary companies			
	Fixed remunerations and benefits		Variable remuneration and benefits		Fixed remunerations and benefits		Variable remuneration and benefits	
	Monthly Salaries of executive Board members	Health Insurance	Annual remuneration	Committee remunerations	Monthly Salaries	Health Insurance	Annual remuneration	Committee remunerations
1	KD: 34,000	0	0	0		0	0	0

The remuneration of the Board of Directors is presented as a separate item to the Ordinary General Assembly held to approve the Company's business results. The following is a statement of the remunerations for 2020:

- o Members of A'ayan Board of Directors have not received any financial rewards for the financial year 2021.
- o The executive members of A'ayan Board of Directors have received remunerations and benefits directly and indirectly amounting KD 34,000 for the financial year 2021 in consideration of the tasks they have performed as decided by the BOD.

#### · Remuneration and Benefits to the Executive Management:

The Board Nomination and Remuneration Committee approved the recommendation for the Executive Management's remuneration and benefits. The following statement details the remunerations and benefits paid to the top Executive Management of the company inclusive of the CEO and the CFO/Financial Manager, with the analysis of the remunerations granted by type, whether in cash, benefits or privileges approved directly or indirectly by the Company or its subsidiaries.

Total		Total remunerations to top executives who have received the highest remuneration inclusive of the CEO and CFO												
executive	Remuneration & benefits from the parent company							Remuneration & benefits from subsidiary companies						
positions		Fixed remu	ineration	& benefits			Variable remuneration & benefits	Fixed remuneration & benefits				Variable remuneration & benefits		
	Monthly salaries	Medical insurance	Annual tickets	Housing allowance	Car allowance	Education allowance	Annual remuneration	Monthly salaries	Medical insurance	Annual tickets	Housing allowance	Car allowance	Education allowance	
7	372,960	10,094	0	0	31,200	6,323	218,558	0	0	0	0	0	0	15,000

<sup>\*</sup>The remuneration reports can be viewed and obtained through communication with the Investors' Affairs Department in the Company

- 1. Fixed Remunerations: these comprise the basic salary represented by the annual total of monthly salary for all categories while Fixed benefits represent the total annual amount of the fixed monthly benefits given to employees in accordance with their contracts such as (telephone allowance, transport allowance, travel allowance, medical insurance) according to the approved Human Resources Policy at the Company.
- 2. Variable Benefits: These include the annual bonuses associated with achieving objectives in accordance with the annual performance appraisal process approved by the Board of Directors in coordination with the Nominations and Remuneration Committee.
- 3. Benefits through subsidiary companies include the annual bonuses granted by subsidiary companies to the representative of A'ayan Company in their Board of Directors according to the annual performance assessment process approved by the boards of these companies through the Board Nomination and Remuneration Committees and approved by the General Assemblies of those companies.

During the financial year ended on 31 December 2021, the Company has not reported any significant deviations from the remuneration policy approved by the Board of Directors.

### Rule IV

# Ensuring the integrity of financial reporting Integrity of the Financial Reports:

The integrity and soundness of the Company's financial statements and related reports is a key pillar and significant indicator of the transparency and credibility of the Company's fair presentation of its financial position. This enhances investors' trust in data and information and allows them to pursue their rights. To achieve this, the Company has applied mechanisms and frameworks that enhance the integrity and fair presentation of the financial statements and related reports by establishing clear and specific processes and systems in accordance with the international accounting standards, supervising them through the Company's Audit Committee and getting them reviewed by an independent external auditor appointed by the shareholders general assembly. In addition, to enhance the accountability process, the executive management provides undertakings on the fairness and integrity of the financial reports presented to the Board of Directors, which in turn, provides the necessary undertakings to the shareholders on the integrity and soundness of the financial statements and related reports.

# **Corporate Governance Report - 2021**

### Board of Directors' Undertaking on the Integrity and Soundness of the Financial Statements and related reports:

To the Shareholders of A'ayan Leasing and Investment Company

The Board of Directors hereby undertakes that it has reviewed the financial statements of A'ayan Leasing and Investment Company for the fiscal year ended 31 December 2021.

Based on the information we have, this report does not contain any misstatement of material information, and that no fundamental or significant information has been omitted to make the presented information misleading under the circumstances in which such statements have been made for the reporting period.

Based on the information we have, the financial statements and other financial information provided in this report present fairly, in all material respects, the financial position, results of operations and cash flows recorded as at 31 December 2021 and for the reporting period.

We and the Executive Management undertake the responsibility for preparing and updating the disclosure procedures as well as internal control systems for preparing the Company's financial reports. We have undertaken the following:

- 1. Designing the procedures for disclosure and transparency in accordance with Law No. 7/2010 and its executive regulations as amended Rule Book 10 "Disclosure and Transparency".
- 2. Designing internal control systems to ensure that we have access to them and provide us with material information on the Company and its subsidiaries which is provided to us by others in those entities, particularly during the period for which this report is prepared.
- 3. Designing internal controls for the financial reporting process and that the design of the internal controls is under our supervision to provide reasonable assurance on the reliability of the financial reports and the preparation of the financial statements for external purposes in accordance with the International Financial Reporting Standards.
- 4. Evaluating the effectiveness of the internal control systems.

This report incorporates our conclusion on the effectiveness of the disclosure controls and procedures as at 31 December 2021, covered in this report based on such controls.

We have disclosed in this report any changes to the Company's internal control systems and to the financial reporting process during the financial year ended 31 December 2021 which may materially affect the Company's internal control systems and the preparation of financial reports.

Based on the latest evaluation of the internal controls on the financial reporting, we and the Executive Management have disclosed to the Company's Auditors about all significant deficiencies and weaknesses in the design or implementation of the internal controls on the financial reporting process which may adversely impact the Company's ability to record, process, summarize and prepare the financial statements.

We have also disclosed any fraud or forgery, whether material or immaterial, involving a member of the Board of Directors or a member of the Executive Management or other employees who have significant roles in the Company's internal control systems and the preparation of financial statements.

Talal M. R.

Fahed A. Al-Ghanim

Mansour H. Al-Mubarak

Behbehani Independent Board Nasser I. Boresli

Riyad N. Al-Bader

Muhannad M. Al-Sanea

Board Chairman

Vice Chairman

Abdulaziz N.

Al-Marzouq

**Board Member** Member

**Board Member** 

**Board Member** 

Independent Board

Member

#### Executive Management's Undertaking on the Integrity and Soundness of the Financial Reports:

To the Members of the Board of Directors

I, Abdullah Mohammad Al-Shatti, in my capacity the Company's Chief Executive Officer, declare that I have reviewed the financial statements of A'ayan Leasing and Investment Company for the financial year ended 31 December 2021.

Based on the information I have, this report does not contain any misstatement of material information, and that no fundamental or significant information has been omitted to make the presented information misleading under the circumstances in which such statements have been made for the reporting period.

Based on the information I have, the financial statements and other financial information provided in this report present fairly, in all material respects, the financial position, results of operations and cash flows recorded as at 31 December 2020 and for the reporting period.

I and the Executive Management bear the responsibility for preparing and updating the disclosure procedures as well as the internal control systems for preparing the Company's financial reports. We have undertaken the following:

- 1. Designing the procedures for disclosure and transparency in accordance with Law No. 7/2010 and its executive regulations as amended Rule Book 10 "Disclosure and Transparency".
- 2. Designing internal control systems to ensure that we have access to them and provide us with material information on the Company and its subsidiaries which is provided to us by others in those entities, particularly during the period for which this report is prepared.
- 3. Designing internal controls for the financial reporting process and that the design of the internal controls is under our supervision to provide reasonable assurance on the reliability of the financial reports and the preparation of the financial statements for external purposes in accordance with the International Financial Reporting Standards.
- 4. Evaluating the effectiveness of the internal control systems

This report incorporates our conclusion on the effectiveness of the disclosure controls and procedures as at 31 December 2021, covered in this report based on such controls.

We have disclosed in this report any changes to the Company's internal control systems and to the financial reporting process during the financial year ended 31 December 2021 which may materially affect the Company's internal control systems and the preparation of financial reports.

Based on the latest evaluation of the internal controls on the financial reporting, I and the Executive Management have disclosed to the Company's Auditors and the Board Audit Committee about all significant deficiencies and weaknesses in the design or implementation of the internal controls on the financial reporting process which may adversely impact the Company's ability to record, process, summarize and prepare the financial statements.

We have also disclosed any fraud or forgery, whether material or immaterial, involving a member of the Executive Management or other employees who have significant roles in the Company's internal control systems and the preparation of financial statements.

Abdullah Mohammad Al-Shatti
The Chief Executive Officer

# **Corporate Governance Report - 2021**

#### Chief Financial Officer's Declaration to the Board of Directors on the Integrity of the Financial Reports

I, Mohi Al Deen Sayed Abou Taher Soloku, in my capacity the Company's Chief Financial Officer, declare that I have reviewed the financial statements of A'ayan Leasing and Investment Company for the financial year ended 31 December 2021.

Based on the information I have, this report does not contain any misstatement of material information, and that no fundamental or significant information has been omitted to make the presented information misleading under the circumstances in which such statements have been made for the reporting period.

Based on the information I have, the financial statements and other financial information provided in this report present fairly, in all material respects, the financial position, results of operations and cash flows recorded as at 31 December 2021 and for the reporting period.

I and the Executive Management bear the responsibility for preparing and updating the disclosure procedures as well as the internal control systems for preparing the Company's financial reports. We have undertaken the following:

- 1. Designing the procedures for disclosure and transparency in accordance with Law No. 7/2010 and its executive regulations as amended Rule Book 10 "Disclosure and Transparency".
- 2. Designing internal control systems to ensure that we have access to them and provide us with material information on the Company and its subsidiaries which is provided to us by others in those entities, particularly during the period for which this report is prepared.
- 3. Designing internal controls for the financial reporting process and that the design of the internal controls is under our supervision to provide reasonable assurance on the reliability of the financial reports and the preparation of the financial statements for external purposes in accordance with the International Financial Reporting Standards.
- 4. Evaluating the effectiveness of the internal control systems

This report incorporates our conclusion on the effectiveness of the disclosure controls and procedures as at 31 December 2020, covered in this report based on such controls.

We have disclosed in this report any changes to the Company's internal control systems and to the financial reporting process during the financial year ended 31 December 2021 which may materially affect the Company's internal control systems and the preparation of financial reports.

Based on the latest evaluation of the internal controls on the financial reporting, I and the Executive Management have disclosed to the Company's Auditors and the Board Audit Committee about all significant deficiencies and weaknesses in the design or implementation of the internal controls on the financial reporting process which may adversely impact the Company's ability to record, process, summarize and prepare the financial statements.

We have also disclosed any fraud or forgery, whether material or immaterial, involving a member of the Executive Management or other employees who have significant roles in the Company's internal control systems and the preparation of financial statements.

Profi

Muhyideen Seyed Abu Thahir Solukku

Chief Financial Officer

#### **Board Audit Committee**

A'ayan Company Board of Directors strongly believes that having an independent audit committee with qualified human and technical cadres is a key features illustrating the implementation of sound corporate governance rules. The Audit Committee works on deepening the culture of compliance across the Company by ensuring the integrity of the Company's financial reporting, the sufficiency and effectiveness of the internal control systems applied in the Company. The Audit Committee was formed on 14/06/2020 for a period co-terminus the board of directors (i.e. three years). It is composed of three members. The Committee holds at least four meetings during the fiscal year on a quarterly basis.

In the event that there is conflict between the recommendations of the Audit Committee and the decisions of the board within the internal audit policies and procedures manual approved by the Board, the Board of Directors should decide and declare the reasons for not adhering with the recommendation of the Audit Committee. It should be noted that during the fiscal year ending on December 31, 2021, there was no conflict between the recommendations of the Company's Audit Committee and the decisions of the Board of Directors.

#### **External Auditor's Independence & Neutrality**

A'ayan Company has complied to the requirement of appointing an auditor registered and approved by the Capital Markets Authority and independent of the Company and its Board of Directors after being approved by the Company's General Assembly. Accordingly and based on satisfying the independence conditions, the Audit Committee issued recommendation to the Board of directors for engaging Waleed Abdullah Al Osimi - Ernst & Young- Al-Aiban, Al-Osaimi & Partners as the Company's external auditor to provide review and audit services of the Company's financial statements. This engagement is based on the high standard professionalism and efficiency of the Audit firm recognized globally, regionally and locally in this field.

#### Rule V

#### Developing sound risk management and internal control systems

#### Risk Management

The organizational structure of the Company incorporates an independent unit for risk management in accordance with Capital Markets Authority's instructions. The Risk Management Unit's personnel are skilled professionals having technical abilities that qualify them to undertake their duties. In addition, they are fully independent reporting directly to the Board Risk Committee. The Unit is mainly engaged in measuring, monitoring and mitigating all types of risks and fluctuations facing the Company by exercising its functions and duties. RMU also submits recommendations to the Board of Directors on deals and transactions that the Company may have with related parties.

The Risk Management Unit submits periodic reports to the Board of Directors on the analysis of risks to which the Company may be exposed in addition to satisfying CMA requirements in this regard.

#### **Board Risk Committee "BRC"**

To ensure the ability to understand and analyze the nature and volume of the risks facing the Company's activities and to mitigate them as much as possible, to determine the appropriate measure for handling them, to determine the internal or external factors that have led or may lead to such risks and to develop processes to address such risks, the Board of Directors has approved the formation of the Board Risk Committee "BRC" to assist the Board in carrying out this key role. The Board Risk Committee was formed on 14/6/2020 with three members and for a period co-terminus the Board of Directors (i.e. three years). BRC holds at least four periodic meetings during the fiscal year.

#### Internal Control Systems

The Company has set an internal control system that provides reasonable assurance of effective and appropriate controls. It includes various controls whether financial and non-financial, processes and compliance with laws and regulations. The Board of Directors regularly reviews these procedures through the key board committees. The efficiency of controls is reviewed from time to time in the Company's relevant departments by performing regular review and internal audit on departments across the Company.

# **Corporate Governance Report - 2021**

#### **Internal Audit Department**

The organizational structure of A'ayan Company encompasses an independent Internal Audit Department "IAD", technically reporting to the Board Audit Committee. The Board of Directors appoints the chief internal auditor based on the nomination of the Board Audit Committee. The responsibilities and duties of the IAD are determined and approved by the Board of Directors. The IAD mainly undertakes monitoring function to ensure the effectiveness and efficiency of the Company's internal control systems and the accuracy and integrity of the financial statements and management processes. It also monitors the implications of the risk factors facing the Company and the systems in place to determine the extent of the daily operations efficiency and to face unexpected market volatilities.

#### Rule VI

#### **Enhancing Professional and Ethical Code of Conduct**

#### Standards and Parameters of Professional and Ethical Code of Conduct

Promoting the culture of professional conduct and ethical values across the Company is a key pillar for performing business activities. Therefore, The Board of Directors pays great attention to ensure commitment of all members of the Board of Directors, executive management and other employees with the internal policies and regulations in force, and the approved professional and ethical code of conduct within the framework of the principles of Islamic Sharia, without neglecting the legal and regulatory requirements and the decisions issued by the supervisory bodies that regulate the Company's business. This approach is based on our view and belief that this pillar is one of the key fundamentals that positively affect the interests of all related parties of A'ayan, particularly, the shareholders. In applying this approach, the company considers avoiding any conflict of interest and demonstrates the highest level of clarity and transparency.

#### Conflict of interest Policies and Procedures

The Company's Board of Directors has approved Conflict of interest Policy in accordance with the Corporate Governance Instructions to ensure that the Company provides its services in a fair and sound manner and to prevent exploiting transactions where any of the Company's stakeholders may be a party therein. This policy also ensures that the company handles conflict of interest cases between the Company and its stakeholders, and between the Company and its customers. The policy ensures that the Company keeps the General Assembly informed of any transactions and contracts concluded with related parties.

### Rule VII

#### **Accurate and Timely Disclosure & Transparency**

#### Disclosure & Transparency

The Company recognizes the vital role of disclosure and transparency principles, which ensure integrity and credibility for traders in the stock market, for the interest of the Company's shareholders, all dealers and for positive effect on the Company reputation at local and regional levels. Therefore, Disclosure and Transparency Policies and Procedures Manual has been approved in accordance with the Corporate Governance Rules. This Manual regulates disclosures of the Company's material information, as well as insider transactions and declaration of interests to ensure full transparency, integrity and fairness.

The Company has a record of all disclosures to Boursa Kuwait and the Capital Markets Authority plus Disclosures Register on the Company's website to enhance the Company's accountability and transparency and integrity.

#### Members of the Board of Directors and Executive Management Disclosures:

The Company has a special register where insiders are identified including members of the board of directors, executive management, managers and others whose roles or relationship allows access to internal information not available to the public. The company also has a record of disclosures related to the transactions on the securities issued by the company whether such transitions are conducted by the members of the board of directors, the executive management, the managers and their families of the first degree in order to govern the disclosure of the intention and the completion of the transaction in a manner that reflects the reality of the relationship and interests with it in compliance with the instructions of the Capital Markets Authority regulating this. This register, kept at the Investors Relations Unit, is made available for all the shareholders of the company for review free of charge at the official working hours of the Company. This record is subject to continuous periodic update.

#### Investors Relations Unit:

To ensure opening comprehensive communication channels with all shareholders, an independent unit for investors' affairs has been established reporting to the Company's board of directors. It undertakes its role in working to create close and overall communication channels with all the Company's shareholders and equally & transparently providing the necessary data, information and reports for both current and potential shareholders, and enabling the Company's shareholders to access information in a timely manner using the approved means of disclosure, including the Company's website.

#### **Developing the IT Infrastructure for Disclosure Processes:**

The Company has been working for the past years to upgrade the infrastructure of the Company's information technology and automate all its operations, work to diversify the communication channels with shareholders, investors and stakeholders and keep up with the automation of the official disclosure channels approved by CMA. The Company registers and trains its concerned staff as users of these systems. Last year, the Company carried out a comprehensive upgrade of its website in accordance with the latest standards to ensure updating the corporate governance and the disclosures sections. This ensures presenting the Company's all information, data and reports in an up-to-date manner reflecting the current status of the Company to all existing and potential shareholders and stakeholders.

#### Rule IIX

#### Respecting Shareholders' Rights

#### Shareholders' Rights

A'ayan Board of Directors and Executive Management work to represent the interests of all shareholders, respect their rights and ensure fair and equal treatment for them all. They safeguard all the shareholders rights, provide them with support and enhance their confidence in the Company by opening direct communication channels with all investors to enable them get access to the information, data and reports about the Company's business through the Investors Relations Unit.

#### Shareholding Records

The Company's shareholders Register is kept at a clearing agency, licensed by the competent regulatory authorities, with the names of shareholders, their nationalities and the number of shares owned by each of them for ensuring ongoing follow-up of shareholders' information. For this purpose, the Company Board has approved Shareholders' Rights Protection Policy to safeguard all their rights.

#### Encouraging Shareholders to Participate at the General Assembly Meetings

The Company cares for encouraging shareholders to have active participation in the meetings of the general assembly of the Company and ensures replying to their inquiries to form an overall view. It also encourages shareholders to exercise their rights stipulated in the Company's Articles of Association, the laws and regulations governing this affair. The Investor Relations Unit is assigned and empowered to undertake this role in accordance with the policy approved by the Board of Directors.

#### Rule IX

#### Recognizing Stakeholders Role

#### Protecting and Recognizing Stakeholders Rights

In view of stakeholders' major contributions as an important resource in building the competitive edge of the Company, maximizing and developing its levels of profitability, the Board of Directors has approved, within Company's set of policies and procedures, a special policy for the process of recognizing and protecting stakeholders' rights and achieving cooperation between stakeholders and the Company within the framework of the applicable laws and regulations. This policy includes safeguards that the same terms and conditions are applied on all stakeholders without any preferential treatment and a compensation mechanism governed by regulations and protected by contracts. It also indicates how to establish good relations with customers and suppliers and settlement of complaints and disputes that may arise between the Company and stakeholders.

#### Encouraging Stakeholders to Participate in following up the Company's Activities:

The Company is committed to applying clear and transparent procedures in dealing with stakeholders in accordance with the stakeholders' policy approved by the Board of Directors. This policy ensures that stakeholders are encouraged to participate and follow up the Company's various activities. The Company develops communication channels marked by openness and transparency mainly through the Company's website and deals with the stakeholders in directly and clearly manner on basis of honesty and respect. It adopts mechanisms that enable stakeholders to raise their concerns to the board of directors about any improper practices and provides them with due protection in accordance with the whistle blowing and protection policy approved by the Board of Directors. This enhances customers' confidence in the Company and the various investment services and products it provides.

### Rule X

#### Performance Enhancement & Improvement

### Training Programs for Members of the Board of Directors and Executive Management

Policies and procedures related to the board members and executive management training aim at developing their skills and deepening knowledge to ensure that they are kept abreast of the latest developments in the fields of investment, finance, economics, management, corporate governance and risk management, and in particular, the aspects of combating money laundering and the financing of terrorism to keep pace with the latest measures and global trends in this field.

#### Performance Appraisal

The performance of the members of the Board of Directors and the Executive Management is measured in line with the Key Performance Indicators Manual for the Members of Board of Directors, the Board Committees and the Executive Management. This Manual has been approved by the Board of Directors in accordance with the Corporate Governance Rules. It applies financial and non-financial parameters to measure the Company's performance development and progress towards achieving its objectives. Further, it assesses the performance and efficiency of the Board of directors and the Executive Management.

#### Corporate Value Creation

The Company works on deepening the culture of compliance with laws and regulations for creating and enhancing corporate values and development plans, achieving the Company's strategic objectives and improving performance standards by adding value to the Company's brand and increasing shareholders and stakeholders' trust in the Company.

The Company dedicates its efforts for achieving its objectives and encouraging self-monitoring, increasing staff self-confidence, communicating to them work values and enabling them to raise other people's awareness of these values. It also helps staff to demonstrate a more sense of responsibility and raise the level of professional performance. The Company continuously develop its reporting systems to become more comprehensive in a way that helps members of the Board of Directors and the Executive Management to take decisions based on sound and thoughtful understanding of the various activities of the Company.

### Rule XI

#### Focusing on the Significance of Corporate Social Responsibility

#### Social Responsibility:

The success and growth of companies in particular and the financial and investment sector in general can be associated directly or indirectly to these companies' awareness of the corporate social responsibility. Companies social responsibility is attributable to their belief in a number of lofty human values and standards, such as solidarity, sense of responsibility towards everyone in relation with the company, should it be a shareholder, an employee, a member of the public, stakeholders or any related party.

Company's approach in this regard is reflected by its continuous commitment to acting ethically, and contributing in achieving sustainable development for the Kuwaiti society in general and for the company's employees in particular. The Company works on improving the living, social and economic conditions of the workforce and their families and the society as a whole and contributing in the cutting down the levels of unemployment in society and enhancing the optimal use of the available resources. The Company provides full support for national employment and encourages young people to join work.

For this reason and on the back of their strong belief in these lofty principles, A'ayan and its subsidiaries strive in carrying out their active role towards society. The Board of Directors has re-approved corporate social responsibility policies and procedures manual in a manner that recognizes and supports the process of having balance between the company's goals and the overall objectives of society, working to highlight the company's role in social work in the State of Kuwait. The more the Company increases its understanding and giving significance and value to this process, the greater positive effect will be reflected on the development, prosperity and evolution of the Company. As such, the profitability and good reputation of the Company is enhanced.

The Company's role in the field of social work in the State of Kuwait has been prominent during the financial year ended 31 December 2021, with the implementation of charitable and voluntary initiatives to serve the community and to establish and follow up appropriate plans for the environmental, health and professional aspects.

In view of the exceptional circumstances that the world and Kuwait specifically experienced during the pandemic; and based on the belief of A'ayan Leasing and Investment Company in social responsibility; and in support of the desired partnership efforts between the State and vital sectors to the pandemic. Furthermore, and in line with the texts contained in the fifteenth book of the executive regulations of the Law of the Capital Markets Authority encouraging in working to improve the living, social and economic conditions of the workforce and their families as well as the society as a whole. A'ayan Leasing and Investment Company has taken a series of steps and procedures related to the lofty human values and standards such as solidarity and a sense of responsibility towards the other and working to provide a safe and healthy work environment for its employees, their families and society as a whole.

On the other hand, in order to support small projects, which represent the backbone of the economy in any country, and the challenges these projects faced during the pandemic, which affected the continuity of business, the Company postponed and reduced the rental value of its properties in support of these projects in overcoming the conditions experienced during the pandemic.

Within the framework of responsibility towards employees to ensure the promotion of the internal culture related to the business environment, an educational seminar was held in cooperation with Baker Tilly Kuwait Office under the caption "the concept of internal auditing and the role of the internal auditor in the audit process on the departments".

With regard to activities in the field of combating the spread of the new Corona virus (Covid 19), the Company has cooperated hand in hand with the health authorities being the first defense shield in ensuring the stability of the State's health situation. As such, the Company has taken a decision to bear the costs of the PCR tests of its employees in the event of symptoms appearing or contact with an infected person. In addition, on March 2021, a competent authority was contracted to provide a field team to conduct a PCR tests for all employees and their families, in order to support the health authorities in besieging this epidemic. On the other hand, and out of the Company is enhancing the physical fitness of employees by providing them with sports activities, especially supporting team sports such as football matches.

Believing in sustainable development and preserving the environment, the Company sought to ensure its positive contribution to the environment through digital transformation in many of its procedures and systems. This reflected positively on reducing paper use by more than 30%, with hope to increase this percentage in the coming years, and working to develop a mechanism and plan for recycling paper used to increase savings and make greater environmental contributions.



# A'AYAN LEASING & INVESTMENT CO. K.S.C.P AND ITS SUBSIDIARIES

Consolidated Financial Statements
31 December 2021

# Audit Report - 2021



Erbst & Young Al Aiban, Al Osaimi & Partners P.O.Box 74 18-20th Floor, Baitak Tower Ahmed Al Jaber Street Safat Square 13001, Kuwait Tel: +965 2 295 5000 Fax: +965 2 245 6419 kuwait@kw.ey.com ey.com/mena

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P.

#### Report on the Audit of Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent company") and subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the Central Bank of Kuwait for use by the State of Kuwait.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

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



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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)

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

#### **Key Audit Matters (continued)**

#### Fair value measurement of investment properties

Investment properties represent a significant part of the total assets of the Group with a carrying value of KD 32,000,157 at the reporting date. The fair values of the Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 16 to the consolidated financial statements.

Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, and the impact of the ongoing COVID-19 pandemic on the economies, we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis based on evidence of comparable market transactions and other publicly available information, particularly in light of COVID-19.
- We evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties.
- Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 16 to the consolidated financial statements highlighting the estimation and uncertainty involved in valuation.

#### Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's 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.

# **Audit Report - 2021**



Erbst & Young Al Aiban, Al Osaimi & Partners P.O.Box 74 18-20th Floor, Baitak Tower Ahmed Al Jaber Street Safat Square 13001. Kuwait Tel: +965 2 295 5000 Fax: +965 2 245 6419 kuwait@kw.ey.com ey.com/mena

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)

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

#### Other information included in the Group's 2021 Annual Report (continued)

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 obtained prior to the date of this auditor's 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted by the Central Bank of Kuwait for use by the State of Kuwait,

and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment 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.



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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)

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

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# **Audit Report - 2021**



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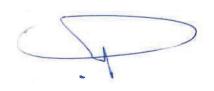
# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)

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

#### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI LICENCE NO. 68 A EY AL AIBAN, AL OSAIMI & PARTNERS

6 February 2022 Kuwait

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the year ended 31 December 2021

		2021	2020
	Notes	KD	KD
CONTINUING OPERATIONS			
NCOME			
Islamic finance income		20,518	13,762
Income from leasing operations	6	10,614,955	9,569,961
Real estate income	7	3,335,612	1,973,176
Income from investments and saving deposits	8	286,742	812,510
Share of results of associates	15	(1,392,564)	(347,841)
Hair-cut income on settlement of Islamic finance payables	24	1,389,516	25,395,989
Advisory and management fees	27	197,689	100,933
Other income	9	1,571,167	339,163
outer moonie			337,103
		16,023,635	37,857,653
EXPENSES			
Net reversal of finance costs		1,306,447	2.881.537
Net impairment losses, expected credit losses and other provisions	10	(2,170,846)	(1,820,022)
Staff costs		(5,173,183)	(5,543,618)
Depreciation	18	(376,171)	(369,560)
Net foreign exchange differences		12,258	(37,976)
Other expenses	11	(2,102,764)	(2,201,142)
		(8,504,259)	(7,090,781)
DRACIT EDAM AGNITIMINA ARER ATIONS REFORE REQUISION FOR TAV			
PROFIT FROM CONTINUING OPERATIONS BEFORE PROVISION FOR TAX		7,519,376	30,766,872
Taxation		(228,829)	(837,332)
Taxation from subsidiaries		(200,702)	(103,124)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		7,089,845	29,826,416
DISCONTINUED OPERATIONS			
Loss after tax for the year from discontinued operations	24	-	(9,781,635)
PROFIT FOR THE YEAR		7,089,845	20,044,781
Attributable to:			
Equity holders of the Parent Company			
Profit for the year from continuing operations		6,099,104	29,806,166
Loss for the year from discontinued operations		-	(9,120,800)
2033 for the year from discontinued operations			(5,120,000)
		6,099,104	20,685,366
Non-controlling interests			
Profit for the year from continuing operations		990,741	20,250
Loss for the year from discontinued operations		-	(660,835)
<u> </u>		990,741	(640,585)
		990,741	(040,363)
PROFIT FOR THE YEAR		7,089,845	20,044,781
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT COMPANY	12	8.24 fils	25.80 fils
DACIC AND DILLITED FADNINGS DED CHADE ATTRIBUTADI F TO			
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT COMPANY FOR CONTINUING			
OPERATIONS	12	8.24 fils	37.18 fils
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO			
EQUITYHOLDERS OF THE PARENT COMPANY FOR DISCONTINUED			
	12		(4 - 22) 5:
OPERATIONS	12	- fils	(11.38) fils

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** For the year ended 31 December 2021

		2021	2020
	Notes	KD	KD
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		7,089,845	29,826,416
Other comprehensive income from continuing operations			
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of associates		(19,123)	(4,404
Exchange differences on translation of foreign operations		(36,063)	84,399
		(55,186)	79,995
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:			
Net loss on equity investments designated at fair value through other comprehensive income		(989,175)	
Revaluation of property and equipment	18	(909,173)	837,000
	10		
Net other comprehensive (loss) income from continuing operations		(1,044,361)	916,995
TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		6,045,484	30,743,411
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS		-	(9,781,635)
Other comprehensive income from discontinued operations			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		_	74,550
Exchange differences on translation of foreign operations		-	51,429
			125,979
			123,97
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Net gain on equity investments designated at fair value through other comprehensive income		-	80,315
Net other comprehensive income from discontinued operations		-	206,294
TOTAL COMPREHENSIVE LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS		-	(9,575,341
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,045,484	21,168,070
Attributable to:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations		5,075,696	30,686,189
Total comprehensive loss for the year from discontinued operations			(8,945,853
		5,075,696	21,740,336
Non-controlling interests			
Total comprehensive income for the year from continuing operations		969,788	57,222
Total comprehensive loss for the year from discontinued operations		-	(629,488)
		969,788	(572,266)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,045,484	21,168,070
14 WE AS IN WEIGHTE HAALIF LAW THE FEWE			

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2021

		2021	2020
	Notes	KD	KD
ASSETS			
Cash and cash equivalents	13	20.042.100	33,851,86
Financial assets at fair value through profit or loss	33	30,942,199	
Financial assets at fair value through other comprehensive income	24	1,972,864	2,460,77 4,340,77
Investment in associates	15	11,141,315	8,497,74
Investment properties	16	32,000,157	29,553,72
Other assets	17	5,080,670	6,985,64
Property and equipment	18	55,485,139	56,153,27
Leasehold property	19	1,444,870	2,776,62
Goodwill	19	91,005	91,00
Oddawiit			
A		138,158,219	144,711,42
Assets held for disposal	5	-	1,979,36
TOTAL ASSETS		138,158,219	146,690,78
EQUITY AND LIABILITIES			
Equity			
Share capital	20	71,403,882	81,403,88
Statutory reserve	21	778,259	145,46
General reserve	21	-	8,661,65
Treasury shares	23	-	(11,339,72
Treasury shares reserve	23	-	2,678,07
Asset revaluation surplus	22	8,755,469	8,755,46
Foreign currency translation reserve		(229,464)	(214,35
Effect of changes in reserve of associates		949,747	968,87
Retained earnings		6,596,360	130,72
Equity attributable to equity holders of the Parent Company		88,254,253	91,190,06
Non-controlling interests	5	12,983,077	12,400,47
Total equity		101,237,330	103,590,53
Liabilities			
Islamic finance payables	24	4,571,241	11,724,02
Other liabilities	25	32,349,648	30,896,85
		36,920,889	42,620,88
Liabilities directly associated with assets classified as held for disposal	5	-	479,36
Total liabilities		36,920,889	43,100,24
TOTAL EQUITY AND LIABILITIES		138,158,219	146,690,78

Fahad Ali Mohammed Thunayan Al-Ghanim

Chairman

Abdullah Mohammed Al Shatti Chief Executive Officer

The attached notes 1 to 35 form part of these consolidated financial statements.

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** For the year ended 31 December 2021

#### Attributable to equity holders of the Parent Company

	Share capital	Statutory reserve	General reserve	Treasury shares	Treasury shares reserve	Asset revaluation surplus	Foreign currency translation reserve	Fair value reserve	Effect of changes in reserve of associates	Retained earnings	Subtotal	Non- controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2021	81,403,882	145,466	8,661,656	(11,339,726)	2,678,070	8,755,469	(214,354)	-	968,870	130,727	91,190,060	12,400,479	103,590,539
Profit for the year	-	-	-	-	-	-	-	-	-	6,099,104	6,099,104	990,741	7,089,845
Other comprehensive													
loss for the year	-	-	-	-	-	-	(15,110)	(989,175)	(19,123)	-	(1,023,408)	(20,953)	(1,044,361)
Total comprehensive													
(loss) income for													
the year	_	_	_	_	_	_	(15,110)	(989,175)	(19,123)	6,099,104	5,075,696	969,788	6,045,484
Partial reduction of							(13,110)	(505,175)	(15,125)	0,033,101	3,073,030	303,700	0,0 13, 10 1
share capital (Note													
20 and Note 23)	(10,000,000)	_	_	1 392 953	(1,241,125)	_	_	_	-	_	(9,848,172)	_	(9,848,172)
Sale of treasury	(10,000,000)			1,552,555	(1/211/123)						(3/0 10/172)		(3/0 10/172)
shares (Note 23)	-		(8,661,656)	9,946,773	(1,436,945)	-	-	-	-	1,988,072	1,836,244	-	1,836,244
Transfer to reserve	-	632,793	-	-	-	-	-	-	-	(632,793)	-	-	
Transferred to													
retained earnings													
upon disposal/													
derecognition	-	-	-	-	-	-	-	989,175	-	(989,175)	-	-	-
Dividends paid to													
non-controlling													
interests	-	-	-	-	-	-	-	-	-	-	-	(387,879)	(387,879)
Change in ownership													
interest in													
subsidiaries without													
loss of control	-	-	-	-	-	-	-	-	-	425	425	689	1,114
As at 31 December													
	71 403 882	778 259	_	_	_	8 755 469	(229 464)	_	949 747	6 596 360	88 254 253	12 983 077	101 237 330
	71,403,882	778,259	-	-	-	8,755,469	(229,464)		949,747	6,596,360	88,254,253	12,983,077	101,237,330
2021		778,259	-	-	-			(55.704)					
<b>2021</b> As at 1 January 2020	<b>71,403,882</b> 81,403,882	778,259	8,661,656	(11,339,726)	2,678,070	<b>8,755,469</b> 7,918,469	(229,464) ———————————————————————————————————	(55,791)	949,747	<b>6,596,360</b> (20,175,934)	<b>88,254,253</b> 68,415,066		101,237,330
As at 1 January 2020 Profit (loss) for the		778,259	8,661,656	(11,339,726)	2,678,070			(55,791)		(20,175,934)	68,415,066	37,304,230	105,719,296
As at 1 January 2020 Profit (loss) for the year		778,259	8,661,656	(11,339,726)	2,678,070			(55,791)					
As at 1 January 2020 Profit (loss) for the year Other comprehensive		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	-	(555,683)	(20,175,934)	68,415,066	37,304,230 (640,585)	105,719,296
As at 1 January 2020 Profit (loss) for the year		778,259	8,661,656	(11,339,726)	2,678,070			(55,791)		(20,175,934)	68,415,066	37,304,230	105,719,296
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	-	(555,683)	(20,175,934)	68,415,066	37,304,230 (640,585)	105,719,296
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	-	(555,683)	(20,175,934)	68,415,066	37,304,230 (640,585)	105,719,296
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	-	(555,683)	(20,175,934)	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319	105,719,296
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	48,971	(555,683)	(20,175,934)	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319	105,719,296 20,044,781 1,123,289
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	48,971	(555,683)	(20,175,934)	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319	105,719,296 20,044,781 1,123,289
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to non-controlling interests Transfer to reserve		778,259	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	48,971	(555,683)	(20,175,934)	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to non-controlling interests Transfer to reserve Transferred to			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to non-controlling interests Transfer to reserve Transferred to discontinued operations upon			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970 21,740,336	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070 (585,377)
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970 21,740,336	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070 (585,377)
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to non-controlling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970 21,740,336	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070 (585,377)
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to non-controlling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970 21,740,336	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070 (585,377)
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of non-			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	68,415,066 20,685,366 1,054,970 21,740,336	37,304,230 (640,585) 68,319 (572,266)	105,719,296 20,044,781 1,123,289 21,168,070 (585,377)
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336 - 1,030,847	(640,585) (68,319 (572,266) (585,377)	20,044,781 1,123,289 21,168,070 (585,377) -
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests of AREC			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336 - 1,030,847	37,304,230 (640,585) 68,319 (572,266)	20,044,781 1,123,289 21,168,070 (585,377) -
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests of AREC Change in ownership			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336 - 1,030,847	(640,585) (68,319 (572,266) (585,377)	20,044,781 1,123,289 21,168,070 (585,377) -
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to non-controlling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of non-controlling interests of AREC Change in ownership interest in			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336	(640,585) (68,319 (572,266) (585,377) -	20,044,781 1,123,289 21,168,070 (585,377) - 1,030,847
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests of AREC Change in ownership			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336 - 1,030,847	(640,585) (68,319 (572,266) (585,377)	20,044,781 1,123,289 21,168,070 (585,377) -
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests of AREC Change in ownership interest in subsidiaries			8,661,656		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336	(640,585) (68,319 (572,266) (585,377) -	20,044,781 1,123,289 21,168,070 (585,377) - 1,030,847
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests of AREC Change in ownership interest in subsidiaries As at 31 December	81,403,882 - - - - - -	145,466	-	-	-	837,000 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336 - 1,030,847	(640,585) (640,585) (68,319 (572,266) (585,377) - - (26,029,721) 2,283,613	105,719,296 20,044,781 1,123,289 21,168,070 (585,377) - 1,030,847 - (26,029,721) 2,287,424
As at 1 January 2020 Profit (loss) for the year Other comprehensive income for the year Total comprehensive income (loss) for the year Dividends paid to noncontrolling interests Transfer to reserve Transferred to discontinued operations upon disposal (Note 24) Transferred to retained earnings upon disposal Derecognition of noncontrolling interests of AREC Change in ownership interest in subsidiaries			-		-	7,918,469 - 837,000 - 837,000	98,853	48,971 48,971	70,146 70,146 	(20,175,934) 20,685,366 	20,685,366 1,054,970 21,740,336	(640,585) (640,585) (68,319 (572,266) (585,377) - - (26,029,721) 2,283,613	20,044,781 1,123,289 21,168,070 (585,377) - 1,030,847

The attached notes 1 to 35 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2021

		2021	2020
	Notes	KD	KD
OPERATING ACTIVITIES			
Profit before tax from continuing operations		7,519,376	30,766,872
Loss before tax from discontinuing operations		-	(9,776,868)
Profit before tax		7,519,376	20,990,004
Non-cash adjustments to reconcile profit (loss) before tax to net cash flows:			
Depreciation and amortisation		10,318,910	11,082,493
Hair-cut income on settlement of Islamic finance payables	24	(1,389,516)	(25,395,989
Net impairment losses, expected credit losses and provisionS		2,170,846	2,364,274
Gain on sale of investment properties	16	(500,000)	(193,000)
Valuation losses from investment properties	16	63,500	112,901
Gain on disposal of property and equipment	6	(2,674,609)	(1,827,171)
Income from investments and saving deposits		(286,742)	5,652,541
Gain on disposal of investment in associates	9	(1,278,324)	
Government grant		_	(135,497
Share of results of associates		1,392,564	3,739,351
Net foreign exchange differences		(12,258)	36,767
Provision for employees end of service benefits		425,830	696,781
Finance costs on lease liabilities	25	65,187	113,547
Rent concessions	25	-	(348,800
Reversal of finance cost related Islamic payables settled		(1,308,811)	(2,402,369
		14,505,953	14,485,833
Changes in operating assets and liabilities:			
Islamic finance receivables		104,351	74,798
Other assets		1,762,258	(90,392
Other liabilities		1,743,748	946,722
Cash flows from operations		18,116,310	15,416,961
Employees end of service benefits paid		(359,570)	(743,381
Taxes paid		(103,124)	(187,952
Receipt of grants		-	135,497
Net cash flows from operating activities		17,653,616	14,621,125

# CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2021

		2021	2020
	Notes	KD	KD
NVESTING ACTIVITIES			
Cash and cash equivalents relating to subsidiaries disposed during the year		-	(9,004,328
Proceeds from sale of subsidiary		1,400,946	-
Purchase of associates		(2,223,429)	-
Purchase of financial assets at fair value through other comprehensive income		(2,657,540)	-
Proceeds from sale/redemption of financial assets at fair value through profit or loss		346,235	-
Proceeds from sale/redemption of investment in associates		66,179	39,887
Purchase of investment properties		(3,904,639)	(192,395
Proceeds from disposal of investment properties	16	1,900,000	1,800,000
Income received from investment and savings deposits		314,673	902,769
Dividend received		113,745	142,928
Dividend and capital reduction proceed received from associateS		861,759	1,007,805
Purchase of property and equipment	18	(19,949,599)	(16,031,293
Proceeds from disposal of property and equipment		14,310,588	9,924,340
Movement in restricted bank balance		(1,158)	(248
Net cash flows used in investing activities		(9,422,240)	(11,410,535
FINANCING ACTIVITIES			-
Payments towards capital reduction	20	(9,177,595)	_
Finance costs paid		(64,765)	(357,571
Net repayment of Islamic finance payables		(2,056,783)	(18,993,515
Payment of lease liabilities		(1,391,590)	(803,200
Dividends paid to non-controlling interests		(387,879)	(585,377
Net movement in non-controlling interests		1,114	(4,959
Proceeds from sale of treasury shares	23	1,836,244	-
Net cash flows used in financing activities		(11,241,254)	(20,744,622
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,009,878)	(17,534,032
Cash and cash equivalents as at 1 January		33,898,964	51,333,942
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	13	30,889,086	33,799,910
Cash and cash equivalents related to continuing operations		30,889,086	33,799,910
Cash and cash equivalents related to discontinuing operations		-	99,054
		30,889,086	33,898,964

As at and for the year ended 31 December 2021

As at and for the year ended 31 December 2021

#### 1 COPORATE INFORMATION

The consolidated financial statements of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent Company") and Subsidiaries (collectively, the "Group") for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Board of Directors on 6 February 2022, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are listed on Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA") as a finance and investment company, respectively.

The Parent Company's head office is located at Mohamad Bin Al Qasim Street, Al Rai 13027, State of Kuwait and its registered postals address is P.O. Box 1426, Safat 13015.

Information on the Group's structure is provided in Note 5. Information on other related party relationships of the Group is provided in Note 28.

#### 2 PRINCIPAL ACTIVITIES

The Group principally operates in Kuwait and engages in financial investments, trading properties, investment properties and leasing activities as follows:

- Provide lease financing product in all its forms and manifestations.
- Acts as financial intermediatory and broker.
- ▶ Engage in activities related to granting of credit facilities to consumers.
- Participate in establishment of companies of different types and purposes inside and outside the State of Kuwait and dealing in the shares of these companies on its behalf and on behalf of third parties.
- ▶ Represent the foreign companies that are similar in purpose with the purposes of the Parent Company in order to market their products and services including financial benefit of the parties and in accordance with the provisions of the relevant Kuwaiti legislation.
- ► Engage in activities relating to investment securities.
- ▶ Portfolio management on behalf of the customers.
- Investment in real estate property in industrial, agricultural and other sectors.
- Development of residential land and commercial property for generating rental income.
- ▶ Conducting research and studies and related activities on behalf of customers.
- Establish investment funds and management of the funds.

The Group carries out its activities in accordance with the principles of Islamic Shar'a as approved by the Parent Company's Fatwa and Shar'a Supervisory Board.

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as "IFRS, as adopted by the Central Bank of Kuwait for use by State of Kuwait").

The consolidated financial statements are prepared on a historical cost basis, except for investment securities at FVTPL and FVOCI, investment properties and leasehold land classified under property and equipment that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 31.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 BASIS OF PREPARATION (continued)

Certain prior year amounts do not correspond with the 2020 consolidated financial statements and reflect adjustments to conform to the current year presentation. Such adjustments do not affect previously reported assets, equity and profit for the year.

#### 3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 3.2.1 New standards, interpretations, and amendments adopted by the Group

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial information of the Group.

#### Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

#### Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

#### Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

#### IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

#### Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

#### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.4.1 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. Non-controlling interest in the acquiree is measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on changes in non-controlling interests without loss of control are recorded in equity.

#### 3.4.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.2 Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

#### 3.4.3 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group has generally concluded that it is the principal in its revenue arrangements.

#### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

#### Rendering of services

The Group generate revenue from maintenance services. The performance obligation is satisfied over-time and payment is generally due upon completion of the maintenance services.

#### Fee income

The Group earns fee income from a diverse range of financial services it provides to its customers. Fee income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

#### Revenue from of sale of real estate

Income from the sale of real estates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.3 Revenue recognition (continued)

#### Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods are transferred to the customer, generally on delivery of the goods.

#### 3.4.4 Finance income and expense

Finance income and expense are recognised in the consolidated statement of profit or loss for all profit-bearing financial instruments using the effective interest method.

#### 3.4.5 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### 3.4.6 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

#### 3.4.7 Dividend income

Dividend income is recognised when the right to receive payment is established.

#### 3.4.8 Taxes

#### Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

#### National Labour Support Tax

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

#### Zakat

Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

#### Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is provided in accordance with fiscal regulations applicable to each country of operation.

#### 3.4.9 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.10 Term deposits

Term deposits represent deposits with banks due within three months or more from the placement date and earn profit.

#### 3.4.11 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i) Financial assets

#### Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ► Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### b) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.11 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

#### i) Financial assets (continued)

#### Initial recognition and initial measurement (continued)

#### c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as otherincome in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

#### d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- ► Trade and other receivables, including contract assets
- ► Financial assets measured at amortised cost (credit facilities)

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.11 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

#### i) Financial assets (continued)

#### Impairment of financial assets (continued)

#### Impairment of financial assets other than credit facilities

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Impairment of credit facilities

Credit facilities granted by the Group consist of loans and advances. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

#### Provisions for credit losses in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the CBK instructions with respect to credit facilities and the calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

Minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.11 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

#### ii) Financial liabilities

#### Initial recognition and measurement

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including Islamic finance payables)

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

#### Financial liabilities at amortised cost

#### Islamic finance payables

After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

#### Accounts payable and accruals

Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

#### Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

#### iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### 3.4.12 Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.12 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable:
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### 3.4.13 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the group. When necessary adjustments are made to bring the accounting policies inline with those of the group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of an associate' in the consolidated statement of profit or loss.

As at and for the year ended 31 December 2021

#### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.13 Investment in associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.

#### 3.4.14 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Transfer from properties under development are made upon completion of the work and the property being ready for its intended use at carrying value and subsequently fair valued at reporting date.

#### 3.4.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the weighted average cost and includes those expenses incurred in bringing each product to its present location and condition. Net realisable value is estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

#### 3.4.16 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Leasehold lands are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited to consolidated statement of comprehensive income in the asset revaluation surplus, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognised as income. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal the related revaluation surplus is credited directly to retained earnings.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

As at and for the year ended 31 December 2021

### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## 3.4.16 Property and equipment (continued)

Buildings 20-40 years
 Furniture and fixtures 3-5 years
 Tools and office equipment 3-5 years
 Motor vehicles 1-4 years
 Leased motor vehicles over lease term

For accounting policy relating to recognition and depreciation of right-of-use assets, refer to 'Leases' accounting policy.

When the leased motor vehicles are subsequently held for sale, typically after the end of the rental contract, they are transferred to inventories at the net realisable value as on the date of transfer.

Capital work-in-progress is stated at cost. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Following completion, capital work-in-progress is transferred into the relevant classification of property, plant and equipment.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

#### 3.4.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are presented under 'property and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset, as follows:

▶ Buildings 3-5 years▶ Leasehold rights 4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policy in section 'Impairment of non-financial assets'.

As at and for the year ended 31 December 2021

### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4.17 Leases (continued)

#### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in 'other liabilities' in the consolidated statement of financial position.

### iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

# Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# 3.4.18 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

As at and for the year ended 31 December 2021

### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4.18 Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### 3.4.19 Employees end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

#### 3.4.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.4.21 Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

#### 3.4.22 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

As at and for the year ended 31 December 2021

### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

# 3.4.22 Foreign currencies (continued)

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### 3.4.23 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

# 3.4.24 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

#### 3.4.25 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

As at and for the year ended 31 December 2021

### 3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4.26 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### 3.4.27 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

► Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

#### 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

As at and for the year ended 31 December 2021

# 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

# 4.1 Significant judgments

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

### Going concern

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

#### Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 33.

### Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

# Operating lease commitments-Group as lessor

The Group has entered into commercial property leases on its investment property portfolio and commercial operating leases on its motor vehicle fleet portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and fleet, and accordingly accounts for the contracts as operating leases.

#### Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

### Classification of real estate properties

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

As at and for the year ended 31 December 2021

# 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 4.2 Estimates and assumptions

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

### Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

# Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

## Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

### Impairment of leasehold rights

The carrying amounts of the leasehold rights are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The management assesses the leasehold rights for impairment based on market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

#### Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- > significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments;
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

### Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 33.

As at and for the year ended 31 December 2021

## 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

## 4.2 Estimates and assumptions (continued)

### Provision for expected credit losses of trade receivables

The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost (other than credit facilities). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

### Impairment losses on financing receivables - as per CBK guidelines

The Group reviews its financing receivables on a regular basis to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

### Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- ► Current fair value of another instrument that is substantially the same;
- An earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

### Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

### Revaluation of leasehold land

The Group measures leasehold land at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value at the reporting date. Leasehold land was valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

### Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

The Group considers that it controls Mubarad Holding Company K.S.C.P. ("Mubarrad") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Mubarrad with a 41.9% equity interest. The remaining 58.1% of the equity shares in Mubarrad are held by many other shareholders who, individually, in view of the management has widely dispersed shareholding. Furthermore, the Parent Company has a majority representation on the board of directors of Mubarrad.

As at and for the year ended 31 December 2021

# 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 4.2 Estimates and assumptions (continued)

### Classification of entities as associates in which the Group holds less than 20% of the voting rights

The Group considers that it exerts significant influence over A'ayan Real Estate Company K.S.C.P. ("AREC") and Tawazun Holding Company K.S.C. (Closed) ("Tawazun") even though it owns less than 20% of the voting rights through its shareholding, its nominated directors' active participation on AREC's and Tawazun's board of directors and decision making over operations in accordance with IAS 28: Investments in Associates and Joint Ventures.

### 5 GROUP INFORMATION

The consolidated financial statements of the Group include:

Name of subsidiany	Country of	% equity interest		Duin single stigities		
Name of subsidiary	incorporation	2021 2020		2021 2020		Principal activities
Mubarad Holding Company K.S.C.P. ("Mubarrad") 1	Kuwait	41.9%	41.9%	Trading and renting heavy vehicles		
A'ayan Leasing Holding Company K.S.C. (Holding) ("ALH")	Kuwait	100%	100%	Leasing activities		
East Gate Real Estate Company S.P.C.	Kuwait	100%	100%	Real estate		
Jahraa Mall – JV	Kuwait	77.1%	77.1%	Real estate		

During the prior year and as a result of the debt settlement arrangements, the Group's ownership interest in Mubarrad decreased from 50.5% to 41.9% and the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Parent Company's relative interest in the subsidiary. Although the Group currently owns less than 50% of the equity of Mubarrad, management determined that it still controls the investee because the Group continues to hold the majority of the voting rights in view of the widely dispersed shareholding structure and the absence of evidence of minority shareholder acting in concert. The Group also holds the majority of the seats on the BOD, and accordingly, considers that it exercises defacto control over Mubarrad, based on IFRS 10: Consolidated Financial Statements criteria analysis.

On 9 December 2020, Mubarrad announced its commitment to a sale plan involving loss of control in a subsidiary, namely Batic Manufacturing Company W.L.L. ("Batic"). The criterion of being available for immediate sale was therefore met at the plan commitment date. Consequently, the associated assets amounting to KD 1,979,363 and liabilities amounting to KD 479,363 were presented as held for sale in the consolidated statement of financial position as at 31 December 2020 and the results as discontinued operations in the consolidated statement of profit or loss for the year ended 31 December 2020. During the year ended 31 December 2021, the legal formalities of transferring the shares have been completed.

#### Material partly owned subsidiaries:

As at 31 December 2021, the Group had concluded that Mubarrad (2020: Mubarrad) as the only subsidiary with non-controlling interests that is material to the consolidated financial statements.

Financial information of subsidiaries that have material non-controlling interests are provided below:

#### Proportion of equity interest held by non-controlling interest:

	2021	2020
	KD	KD
Mubarad Holding Company K.S.C.P.	58.1%	58.1%

### Accumulated balances of material non-controlling interest:

	2021	2020
	KD	KD
Mubarad Holding Company K.S.C.P.	12,516,720	11,571,969

As at and for the year ended 31 December 2021

# 5 GROUP INFORMATION (continued)

Material partly owned subsidiaries (continued):

Profit (loss) allocated to material non-controlling interests:

	2021	2020
	KD	KD
Mubarad Holding Company K.S.C.P.	964,914	(27,561)

Summarised financial information of these subsidiaries is provided below. This information is based on amounts before eliminating intra group transactions and consolidation related adjustments.

	2021	2020
	Mubarrad KD	Mubarrad KD
Summarised statement of profit or loss		
Income	2,472,678	1,077,404
Expenses	(678,249)	(1,032,865)
Profit (loss) for the year	1,794,429	44,539
Other comprehensive (loss) income for the year	(5,422)	(87,833)

	2021	2020
	Mubarrad KD	Mubarrad KD
Summarised statement of financial position		
Total assets	24,514,524	23,304,058
Total liabilities	2,874,946	3,314,067
Total equity	21,639,578	19,989,991

	2021	2020
	Mubarrad KD	Mubarrad KD
Summarised cash flow information		
Operating	2,641,731	516,110
Investing	1,541,849	(705,271)
Financing	(598,035)	(1,031,045)
Net increase (decrease) in cash and cash equivalents	3,585,545	(1,220,206)

As at and for the year ended 31 December 2021

# 6 INCOME FROM LEASING OPERATIONS

16,270,178	KD 17,035,378
16,270,178	17 035 378
16,270,178	17 035 378
	17,055,570
1,135,374	1,071,062
2,674,609	1,827,171
20,080,161	19,933,611
(7,529,787)	(8,280,740)
(1,935,419)	(2,082,910)
10,614,955	9,569,961
	(1,935,419)

# 7 REAL ESTATE INCOME

	2021	2020
	KD	KD
Gain on sale of investment properties (Note 16)	500,000	-
Valuation losses from investment properties	(63,500)	(87,370)
Rental income from investment properties	2,935,733	2,516,243
Rental income from leasehold rights	2,916,785	2,237,622
Depreciation of right-of-use assets relating to leasehold rights (Note 18)	(1,081,196)	(1,084,164)
Amortisation of a leasehold rights (Note 19)	(1,331,756)	(1,335,415)
Finance costs on lease liabilities (Note 25)	(62,823)	(100,160)
Rent concession (Note 25)	-	348,800
Real estate related expenses	(477,631)	(522,380)
	3,335,612	1,973,176

As at and for the year ended 31 December 2021

### 8 INCOME FROM INVESTMENTS AND SAVING DEPOSITS

	2021	2020
	KD	KD
Investment deposits and savings profits	314,673	715,946
Dividend income	113,745	142,332
Changes in fair value of financial assets at FVTPL	(141,676)	(45,768)
	286,742	812,510

#### 9 OTHER INCOME

	2021	2020
	KD	KD
Gain on disposal of investment in associates (Note 15)	1,278,324	-
Government grants	-	123,272
Other income	292,843	215,891
	1,571,167	339,163

# 10 NET IMPAIRMENT LOSSES, EXPECTED CREDIT LOSSES AND PROVISIONS

	2021	2020
	KD	KD
Reversal of provision for impairment of Islamic finance receivables	(104,351)	(51,789)
Impairment losses on other assets (Note 17)	(71,740)	438,827
ECL on trade receivables (Note 17)	214,902	356,921
(Reversal) net impairment losses on investment in associates (Note 15)	(66,179)	89,113
Impairment losses on property and equipment (Note 18)	-	195,681
Reversal of excess provision no longer required*	(1,586,054)	-
Provision no longer required	(529,048)	-
Allowance for provision for legal cases	4,313,316	791,269
	2,170,846	1,820,022

<sup>\*</sup> Reversals of excess provision no longer represents a reversal amounting to KD 1,586,054 related to provision, which was recognised earlier based on the instructions of CBK against the portfolio of Islamic financing receivables previously recorded in other liabilities.

As at and for the year ended 31 December 2021

# 11 OTHER EXPENSES

	2021	2020
	KD	KD
Premises expenses	444,875	398,569
Legal and professional fees	945,696	808,666
Marketing and advertising expenses	191,542	162,582
BOD remuneration of subsidiaries	55,000	25,000
Other miscellaneous expenses	465,651	806,325
	2,102,764	2,201,142

### 12 EARNINGS (LOSS) PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021	2020
Profit for the year attributable to the equity holders of the Parent Company from continuing operations (KD)	6,099,104	29,806,166
Loss for the year attributable to the equity holders of the Parent Company from discontinued operations (KD)	-	(9,120,800)
Profit for the year attributable to the equity holders of the Parent Company [KD]	6,099,104	20,685,366
Weighted average number of shares outstanding during the year (shares) *	740,408,706	801,673,982
Basic and diluted earnings per share from continuing operations attributable to the equity holders of the Parent Company (fils)	8.24	37.18
Basic and diluted loss per share from discontinuing operations attributable to the equity holders of the Parent Company (fils)	-	(11.38)
Basic and diluted earnings per share attributable to the equity holders of the Parent Company (fils)	8.24	25.80

<sup>\*</sup> The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

#### 13 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

As at and for the year ended 31 December 2021

# 13 CASH AND CASH EQUIVALENTS (continued)

	2021	2020
	KD	KD
	7.002.100	F 0F1 0CF
Cash at banks and on hand	7,982,199	5,851,865
Short-term placements with financial institutions	22,960,000	28,000,000
Cash and short-term deposits	30,942,199	33,851,865
Less: restricted balances	(53,113)	(51,955)
	30,889,086	33,799,910
Cash and cash equivalents included in disposal group held for sale	-	99,054
Cash and cash equivalents	30,889,086	33,898,964

Short-term deposits are made for varying periods and can be early terminated on demand, depending on the immediate cash requirements of the Group, and earn average returns at the respective short-term deposit rates ranging from 0.75% to 2% (2020: 1% to 3.25%) per annum.

Cash and cash equivalents amounting to KD 479,610 (2020: KD 328,706) is maintained with one of the major shareholder (Note 28).

# 14 ISLAMIC FINANCE RECEIVABLES

	Musawama	ljara	Tawaruq	Total
2021	KD	KD	KD	KD
Gross receivables	5,062,756	2,066,194	1,101,634	8,230,584
Less: deferred income	(859,987)	(330,638)	(94,711)	(1,285,336)
	4,202,769	1,735,556	1,006,923	6,945,248
Less: impairment losses				
- General	-	-	-	-
- Specific	4,202,769	1,735,556	1,006,923	6,945,248
	4,202,769	1,735,556	1,006,923	6,945,248
	-	-	-	
Gross amount of credit facilities individually determined to be				
impaired	5,062,756	2,066,194	1,101,634	8,230,584

As at and for the year ended 31 December 2021

# 14 ISLAMIC FINANCE RECEIVABLES (continued)

	Musawama	ljara	Tawaruq	Total
2020	KD	KD	KD	KD
Gross receivables	5,151,828	2,101,991	1,101,634	8,355,453
Less: deferred income	(873,496)	(337,647)	(94,711)	(1,305,854)
	4,278,332	1,764,344	1,006,923	7,049,599
Less: impairment losses				
General	-	-	-	-
Specific	4,278,332	1,764,344	1,006,923	7,049,599
	4,278,332	1,764,344	1,006,923	7,049,599
	-	-		
Gross amount of credit facilities individually determined to be impaired	5,151,828	2,101,991	1,101,634	8,355,453

Expected credit losses on credit facilities determined computed under IFRS 9 in accordance with CBK guidelines amounted to KD 6,945,248 as at 31 December 2021 (2020: KD 7,049,599), which is same as the provision required by CBK instructions. As a result, no additional provision has been made.

Set out below is the movement in the provision for impairment of Islamic finance receivables as per CBK instructions during the year:

	Gen	eral	Spe	cific	Tot	al
	2021	2020	2021	2020	2021	2020
	KD	KD	KD	KD	KD	KD
As at 1 January	-	233	7,049,599	7,106,334	7,049,599	7,106,567
Net reversals during the year (Note 10)	-	(233)	(104,351)	(51,556)	(104,351)	(51,789)
Write-off	-	-	-	(5,179)	-	(5,179)
As at 31 December	-	-	6,945,248	7,049,599	6,945,248	7,049,599

As at and for the year ended 31 December 2021

#### 15 INVESTMENT IN ASSOCIATES

The principal associates of the Group are as follows:

ame of associate	Country of		quity rest	Principal	Carrying a	mount
	incorporation	2021	2020	activities	2021	2020
					KD	KD
Oman Integral Logistics Company O.S.C.C ("Oman Integral") <sup>1</sup>	Oman	50.0%	50.0%	Logistics	3,733,153	3,628,850
A'ayan Real Estate Company K.S.C.P. ("AREC") <sup>2</sup>	Kuwait	15.1%	15.1%	Real estate	3,235,033	4,702,891
Tawazun Holding Company K.S.C (Closed) ("Tawazun") 3	Kuwait	14.8%	_	Holding Company	4,007,129	-

Included in the carrying amount of the investment in the associate is goodwill of KD 112,822 (2020: KD 112,822).

<sup>2</sup>Prior to the Group's loss of control in Tawazun as a result of the debt settlement arrangement with lenders during the year ended 31 December 2020, the Group accounted for AREC as a subsidiary and consolidated the results and assets and liabilities of the investee. Following the loss of control in the former subsidiary, the Group deconsolidated AREC and management determined that it exerts significant influence over the investee through both its shareholding and its nominate directors' active participation on AREC's BOD. As a result, the Group accounted for the directly retained interest in AREC (i.e. 15.1%) as an investment in associate using the equity method of accounting from the date control is lost in accordance with IAS 28: Investments in Associates and Joint Ventures.

<sup>3</sup>During the year, with a 10.4% equity interest, the Group has determined that it has gained significant influence over Tawazun (previously classified as a financial asset at FVOCI) and accounted for Tawazun as an investment in associate. The Group's significant influence is due to the Group having a representation on the BOD and participation in decisions over the relevant activities and operations, based on IAS 28: Investments in Associates and Joint Ventures criteria analysis. The Group's initial carrying amount of the associate is based on the fair value of the interest held (i.e. KD 3,551,980) at the date the Group determined that it exercises significant influence over Tawazun. The Group had recorded an unrealised loss of KD 1,458,303 in the fair value reserve which has been recycled to retained earnings upon reclassifying Tawazun from FVOCI to as an investment in associate.

Further, the Group's equity interest in Tawazun increased to 14.8%, being a net increase resulting from purchase of additional shares and debt settlement with further shares. During the year, Tawazun, completed its capital reduction thus writing off its accumulated losses against share capital and reserves and by settling the balance amount to its existing shareholders and reducing the outstanding number of shares at par value. The Parent Company received KD 738,991 as its share in cash distribution against capital reduction.

As at and for the year ended 31 December 2021

# 15 INVESTMENT IN ASSOCIATES (continued)

	2021	2020
	KD	KD
Group's share of total comprehensive income		
Revenue from continuing operations	2,221,927	746,251
(Expenses) from discontinuing operations		(5,981,565)
Share of (loss) from continuing operations	(1,392,564)	(347,841)
Share of (loss) profit from discontinuing operations		(3,391,510)
Share of other comprehensive loss from continuing operations	(19,123)	(4,404)
Share of other comprehensive income (loss) from discontinuing operations	-	74,550

A reconciliation of the summarised financial information to the carrying amount of the associates is set out below:

Reconciliation to carrying amounts	2021	2020	
	KD	KC	
As at 1 January	8,497,741	29,714,607	
Additions	2,223,429	295,000	
Loss of control in subsidiary and retention as associate	-	10,482,782	
Deemed disposal of associates due to loss of control over subsidiaries	-	(21,507,645	
Reclassification to financial assets held at FVTPL upon loss of significant influence	-	(249,202	
Reclassification from financial asset at FVOCI (Note 33)	3,551,980		
Share of results from continuing operations	(1,392,564)	(347,841	
Share of results from discontinued operations	-	(3,260,865	
Share of other comprehensive income from continuing operations	(19,123)	(4,404	
Share of other comprehensive income from discontinued operations	-	74,550	
Dividend received from associates	(122,768)		
Capital reduction received from associates	(738,991)		
Dividend receivable from associates included in disposal group	-	(235,945	
Dividend received from associates included in disposal group	-	(799,855	
Net reversal of allowance for impairment (impairment losses) (Note 10)	66,179	(89,113	
Fair valuation loss on initial recognition (Note 24)	-	(5,581,747	
Sale/ redemption of associates	(882,760)	(39,887	
Foreign currency translation adjustments	(41,808)	47,306	
As at 31 December	11,141,315	8,497,74	

During the year, the Group transfered investment in associate with a carrying value of KD 816,581 to settle outstanding Islamic finance payables of KD 2,094,905 and realised a debt settlement gain of KD 1,278,324 (Notes 9 and 24). Furthermore, KD 66,179 was received as redemptions from its fully impaired investments in associates.

# Summarised financial information for associates

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

As at and for the year ended 31 December 2021

# 15 INVESTMENT IN ASSOCIATES (continued)

2021	AREC	Tawazun	Oman Integral
	KD	KD	KD
Total assets	97,038,030	73,902,126	10,508,942
Total liabilities and non-controlling interests	(38,708,120)	(1,026,841)	(3,268,285)
Equity attributable to Parent Company	58,329,910	72,875,285	7,240,657
Group's share in equity %	15.1%	14.8%	50.0%
Group's share in associate	8,816,780	10,761,087	3,620,329
Contingent liabilities and commitments	46,470		-

2021	AREC	Tawazun	Oman Integral
	KD	KD	KD
(Loss) profit	(776,863)	(1,392,098)	537,939
Other comprehensive loss	(79,716)	(36,849)	-
Total comprehensive (loss) income	(856,579)	(1,428,947)	537,939

2020	AREC	Oman Integral
	KD	KD
Total assets	111,962,284	10,195,479
Total liabilities and non-controlling interests	(43,987,150)	(3,163,424)
Equity attributable to parent company	67,975,134	7,032,055
Group's share in equity %	15.13%	50.0%
Group's share in associate	10,284,638	3,516,028
Contingent liabilities and commitments	161,423	-

2020	AREC	Oman Integral
	KD	KD
(Loss) profit	(1,218,316)	311,586
Other comprehensive loss	(29,105)	-
Total comprehensive (loss) income	(1,247,421)	311,586

The fair value of one of the associates is KD 5,455,354 (2020: KD 3,699,608), which is higher than its carrying value. The fair value of the remaining associates is not readily available since it is not listed in the stock market.

As at and for the year ended 31 December 2021

# 16 INVESTMENT PROPERTIES

	2021	2020
	KD	KD
As at 1 January	29,553,724	123,563,008
Additions	3,904,639	192,395
Disposals	(1,400,000)	(1,607,000)
Valuation losses from investment properties	(63,500)	(112,901)
Derecognition of properties due to loss of control over subsidiaries	_	(92,576,754)
Exchange differences	5,294	94,976
As at 31 December	32,000,157	29,553,724

Investment properties held by the group are developed properties located in Kuwait, Kingdom of Saudi Arabia and Egypt.

During the current year, the Group has sold investment properties with an aggregate carrying value of KD 1,400,000 (2020: KD 1,607,000) for a total cash consideration of KD 1,900,000 (2020: KD 1,800,000) resulting in a gain on sale of amounting to KD 500,000 (2020: KD 193,000 recognised in the consolidated statement of profit or loss under real estate income (Note 7).

Investment properties with a carrying value of KD 6,250,000 (2020: KD 18,437,370) have been pledged as a collateral for Islamic finance payables. During the year ended 31 December 2021, Islamic finance payables of the Parent Company become unsecured and collaterals in the form of investment properties were released (Note 24).

During the prior year, investment properties with a carrying value of KD 92,576,754 owned by Tawazun and AREC had been derecognised due to loss of control over Tawazun and AREC as a result of the debt settlement agreement (Note 24).

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decline of KD 63,500 compared to its carrying values as at 31 December 2021 in the consolidated statement of profit or loss under real estate income (Note 7) (decline in fair value during 2020: KD 112,901 out of which KD 25,531 recognised in the consolidated statement of profit or loss under discontinued operations and remaing amount of KD 87,370 in the consolidated statement of profit or loss under real estate income (Note 7)). The Group classifies its investment properties as Level 2 and level 3 in the fair value measurement hierarchy (Note 33).

Significant increases (decreases) in estimated price per square metre, estimated rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

As at and for the year ended 31 December 2021

# 17 OTHER ASSETS

	2021	2020
	KD	KD
Trade receivables, net	2,389,279	3,357,281
Prepaid expenses	889,056	837,819
Amounts due from related parties (Note 28)	211,719	734,681
Advances to suppliers	23,464	2,168
Inventories	23,427	36,496
Refundable deposits	627,855	854,153
Dividend receivables	3,149	1,006,882
Other receivables, net	912,721	156,163
	5,080,670	6,985,643

As at 31 December 2021, the Group's carrying amount of trade receivables is net of an allowance for expected credit losses of KD 7,999,851 (2020: KD 8,440,383) and other assets is net of an allowance for expected credit losses of KD 5,051,277 (2020: KD 5,134,967)

Set out below is the movement in the allowance for expected credit losses of trade receivables and provision for impairment of other assets:

	2021	2020
	KD	KD
As at 1 January	13,956,573	14,986,937
(Reversal) Impairment of other assets from continuing operations (Note 10) *	(71,740)	438,827
Impairment of other assets from discontinued operations *	-	499,081
Allowance for expected credit losses (ECL) on trade receivables included under continuing operations [Note 10]	214,902	356,921
Allowance for expected credit losses (ECL) on trade receivables included under discontinued operations	-	45,171
Write-offs **	(667,385)	(1,556,210)
Reclassification to assets held for sale	-	(174,358)
Derecognition upon loss of control over subsidiaries	-	(639,796)
As at 31 December	13,432,350	13,956,573

<sup>\*</sup> This represents (reversal) impairment on receivable balances other than trade receivables.

<sup>\*\*</sup> This represents write-off of receivable balances (including trade receivables) that are deemed uncollectable.

As at and for the year ended 31 December 2021

# 18 PROPERTY AND EQUIPMENT

	Leasehold lands	Buildings	Furniture and fixtures	Tools and office equipment	Motor vehicles	Leased motor vehicles	Right-of- use asset	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost and valuation								
As at 1 January 2021	11,681,000	2,660,853	575,084	3,889,346	1,535,527	49,336,757	5,038,098	74,716,665
Additions	-	-	7,525	58,474	189,453	19,694,147	5,400	19,954,999
Transfer	-	-	-	-	(180,755)	180,755	_	-
Disposals	-	-	-	(210,313)	-	(19,712,872)	-	(19,923,185)
As at 31 December 2021	11,681,000	2,660,853	582,609	3,737,507	1,544,225	49,498,787	5,043,498	74,748,479
Depreciation and impairment								
As at 1 January 2021	-	274,660	550,874	3,754,991	1,307,648	10,160,141	2,515,078	18,563,392
Depreciation charge for the year	-	115,258	6,695	28,069	71,571	7,457,447	1,308,114	8,987,154
Transfer	-	-	-	-	(103,337)	103,337	-	-
Disposals	-	-	-	(154,075)	-	(8,133,131)	-	(8,287,206)
As at 31 December 2021	-	389,918	557,569	3,628,985	1,275,882	9,587,794	3,823,192	19,263,340
Net book value								
As at 31 December 2021	11,681,000	2,270,935	25,040	108,522	268,343	39,910,993	1,220,306	55,485,139

As at and for the year ended 31 December 2021

# 18 PROPERTY AND EQUIPMENT (continued)

	Leasehold lands	Buildings	Furniture and fixtures	Tools and office equipment	Motor vehicles	Leased motor vehicles	Right-of- use asset	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost and valuation								
As at 1 January 2020	11,537,000	3,296,544	714,449	5,608,659	1,672,489	52,509,976	5,140,002	80,479,119
Additions	-	2,299	5,364	37,808	-	15,985,822	-	16,031,293
Revaluation adjustment Transfers	837,000	-	_	-	(112,841)	- 112,841	-	837,000
Reclassified to assets held for disposal	(693,000)	(637,990)	(13,197)	(1,522,065)	(24,121)	-	(101,904)	(2,992,277)
Derecognition upon loss of control over subsidiaries	-	-	(131,532)	(173,767)	-	-	-	(305,299)
Disposals	-	-	-	(61,289)	-	(19,271,882)	-	(19,333,171)
As at 31 December 2020	11,681,000	2,660,853	575,084	3,889,346	1,535,527	49,336,757	5,038,098	74,716,665
Depreciation and impairment								
As at 1 January 2020	-	430,426	676,591	5,166,488	1,354,626	11,417,041	1,295,447	20,340,619
Depreciation charge for the year	-	107,415	7,525	45,989	86,670	8,194,070	1,305,409	9,747,078
Impairment (Note 10)	-	-	-	-	-	195,681	-	195,681
Transfers	-	-	-	-	(111,519)	111,519	-	-
Reclasified to assets held for disposal	-	(263,181)	(13,197)	(1,294,400)	(22,129)	-	(85,778)	(1,678,685)
Derecognition upon loss of control over subsidiaries	-	-	(120,045)	(160,510)	-	-	-	(280,555)
Disposals	-	-	-	(2,576)	-	(9,758,170)	-	(9,760,746)
As at 31 December 2020	-	274,660	550,874	3,754,991	1,307,648	10,160,141	2,515,078	18,563,392
Net book value	_		_	_	_	_	_	
As at 31 December 2020	11,681,000	2,386,193	24,210	134,355	227,879	39,176,616	2,523,020	56,153,273

As at and for the year ended 31 December 2021

#### 18 PROPERTY AND EQUIPMENT (continued)

# Operating lease commitments - Group as a lessor

The Group has entered into commercial leases for its motor vehicles fleet in the normal course of business. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2021	2020
	KD	KD
Within one year	9,772,489	9,928,202
After one year but not more than five years	5,299,431	5,320,277
	15,071,920	15,248,479

The depreciation charge for the year has been allocated in the consolidated statement of profit or loss as follows:

	2021	2020
	KD	KD
Depreciation of motor vehicles (Note 6)	7,529,787	8,280,740
Depreciation expense of right-of-use asset relating to leasehold rights (Note 7)	1,081,196	1,084,164
Depreciation expense of right-of-use assets (included with depreciation expense in the consolidated statement of profit or loss)	226,918	221,245
Depreciation expense included in the consolidated statement of profit or loss	149,253	160,929
	8,987,154	9,747,078

#### Revaluation of leasehold lands

Notwithstanding the contractual term of the leases, management considers that, the agreements of leasehold land are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in Kuwait these leases have been accounted for as leasehold land. Leasehold lands are are recognised at fair value using the market comparable approach. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Under the market comparable approach, the property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm). The revaluation gain amounting to KD NIL (2020: KD 837,000) was included in other comprehensive income and credited directly to equity as revaluation surplus. The significant assumption used in the determination of fair value was the market price (per sqm). A decrease of 5% (2020: 5%) in the estimated market price (per sqm) will reduce the value by KD 584,050 (2020: KD 584,050). The fair value was determined based on sales comparison method and is measured under the Level 2 fair value hierarchy (Note 31).

Significant unobservable valuation input	Range
Price per square metre	KD 750 – KD 1,350

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### 19 LEASEHOLD RIGHTS

	2021	2020
	KD	KD
As at 1 January	2,776,626	4,112,041
Amortisation (Note 7)	(1,331,756)	(1,335,415)
As at 31 December	1,444,870	2,776,626

Leasehold rights represents the Group's investment in a real estate project. Leasehold rights is amortised over the remaining lease term expiring on January 2023 and is stated at cost net of accumulated amortisation and accumulated impairment losses, if any. Leasehold rights was capitalised in February 2017 after receiving the notification of commencement of operations.

#### 20 SHARE CAPITAL

	Number	of shares	Authorised, issued and fully paid		
	<b>2021</b> 2020		2021	2020	
			KD	KD	
Shares of 100 fils each (paid in cash)	714,038,824	814,038,824	71,403,882	81,403,882	

In the extraordinary general meeting ("EGM") held on 4 April 2021, the shareholders had approved the partial reduction in share capital amounting by KD 10,000,000 from KD 81,403,882 to KD 71,403,882 (100,000,000 shares from 814,038,824 shares to 714,038,824 shares at 100 fils each) proposed by the BOD in their meeting held on 4 February 2021. The effective date of the reduction is 4 May 2021 being the maturity date as stated and instructed in the commercial register of the Parent Company amended and issued on 22 April 2021.

#### 21 RESERVES

#### Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. During the year, KD 632,793 was transferred to statutory reserve.

### General reserve

- No transfers were made to the general reserve during the year.
- ▶ The general reserve (along with treasury shares reserve) of the Parent Company are maintained against the historical cost of treasury shares and is not available for distribution throughout the holding period of these treasury shares (Note 23). During the year loss amounting to KD 6,673,584 on account of disposal of treasury shares have been netted off against the general reserve and the remaining balance amounting to KD 1,988,072 has been transferred to retained earnings since the treasury shares have been fully disposed off. This transfer was approved with a resolution of the Board of Directors on 6 February 2022.

#### 22 ASSET REVALUTION SURPLUS

The revaluation surplus is used to record increments and decrements on the revaluation of the Group's leasehold land (classified within property and equipment). In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

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#### 23 TREASURY SHARES AND TREASURY SHARES RESERVE

	2021	2020
Number of treasury shares	-	12,364,842
Percentage of issued shares	-	1.5%
Cost - (KD)	-	11,339,726
Market value - (KD)		1,133,856
Weighted average market price – (fils)	-	91.7

During the year, 1,518,279 treasury shares with a cost of KD 1,392,953 have been deducted against "treasury shares" and the resulting loss amounting to KD 1,241,125 have been recorded against "treasury share reserve" in the consolidated statement of changes in equity on account of capital reduction (Note 20).

Furthermore, 10,846,563 treasury shares with a cost of KD 9,946,773 have been disposed off for a net consideration of KD 1,836,244. The related treasury reserve and general reserve have been netted off against this transaction and the net balance amounting to KD 1,988,072 has been transferred to retained earnings since the treasury shares have been fully disposed off.

### 24 ISLAMIC FINANCE PAYABLES, DEBT SETTLEMENT AND DISCONTINUED OPERATIONS

	2021	2020
	KD	KD
Relating to the Parent Company <sup>1</sup>	2,952,112	9,902,508
Relating to subsidiaries <sup>2</sup>	1,619,129	1,821,521
	4,571,241	11,724,029

During the year, Islamic finance payables of the Parent Company have become unsecured and collaterals in the form of investment properties, investment in an associate and shares of certain consolidated subsidiaries were released. (Islamic finance payables of the Parent Company were secured against collaterals in the form of investment properties as at 31 December 2020 amounted to KD 12.2 million, collaterals in the form of an investment in an associate as at 31 December 2020 amounted to KD 4.6 million and collaterals in the form of shares of certain consolidated subsidiaries).

During 2015, the Parent Company approached the lenders to reschedule the entire previously restructured debt amounting to KD 160 million (included in the total Islamic finance payables of the Parent Company until 31 December 2016) on a long term basis and also submitted an application to the Central Bank of Kuwait and Financial Stability Law (FSL) Court for the amendment of the Original FSL application requesting an amendment in the repayment plans to be extended until the first quarter of 2021, by submitting a revised business plan detailing the sources of future cash flows.

On 15 June 2017, the Parent Company obtained approval from the Special Circuit of the Court of Appeal (the FSL Judgement) on the amendment of the financial restructuring plan submitted by the Parent Company for rescheduling the outstanding Islamic finance payables of KD 160 million until the first quarter of 2021, which has become effective and enforceable against all lendors. The Parent Company has made principal repayment of KD 15 million and KD 10 million on 11 September 2017 and on 29 March 2018, respectively.

At 28 March 2019 and 31 March 2020, an amount of KD 10 million and KD 30 million respectively, were due for repayment. However, the Parent Company has negotiated a final settlement plan ("proposed plan") of its Islamic finance payables of which the majority of creditors consented to. Accordingly, the Parent Company applied to the FSL Court its proposed plan, which was received and initialled by the Head of the Special Circuit Court for restructuring requests and referred to the Central Bank of Kuwait (CBK) for further assessment and approval.

<sup>&</sup>lt;sup>2</sup> Islamic finance payables relating to the subsidiaries of the Group are secured against collaterals in the form of investment properties amounting to KD 6.3 million (2020: KD 6.3 million) (Note 16). These balances are due to one of the major shareholder (Note 28).

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# 24 ISLAMIC FINANCE PAYABLES, DEBT SETTLEMENT AND DISCONTINUED OPERATIONS (continued)

On 3 March 2019, the Parent Company submitted its request for the proposed plan to the FSL Court. However, the Court of Appeal in the hearing dated 4 December 2019 rejected the Parent Company's request for the proposed plan. Notwithstanding the above, the Parent Company filed an appeal before the Court of Cassation on the basis of error in the application and interpretation of the law and flawed reasoning of the court. Further, the Parent Company filed a cross-appeal and requested the suspension of execution order of the appeal verdict during the pendency of the appeal which was accepted by the respective court on 5 January 2020.

On 19 August 2020, the Court of Cassation issued its final verdict approving the debt restructuring plan ("proposed plan") ratified by the Central Bank of Kuwait and the suspension of litigation and enforcement procedures related to the remaining debt exposure during the period extending to the end of 2024.

Subsequent to the final verdict, in September 2020 and during the fourth quarter of 2020, the Parent Company reached a settlement with lendors amounting KD 127,043,106 of the total outstanding Islamic financing payables. Further, during the year ended 31 December 2021, the Parent Company further signed settlement agreements with lenders amounting to KD 6,946,574. The elements of debt settlement terms as follows:

- 20% deduction ("hair-cut") of the total outstanding Islamic financing payables;
- Cash settlement of KD 10 million from Parent Company;
- Cash settlement of KD 10 million from Tawazun (a fully owned subsidiary as at 30 September 2020) as a deduction from the net asset value of Tawazun;
- Transfer of Tawazun shares for the remaining outstanding Islamic financing payables.

During the year, and further to the debt settlement agreements signed with creditors, the Parent Company recognised a gain on debt settlement amounting to KD 1,389,516 (2020: KD 25,395,989) being 20% hair-cut of the carrying amount of the Islamic finance payables (included within continuing operations in the consolidated statement of profit or loss). Furthermore, the Parent Company transferred cash amounting to KD 1,004,995 (2020: KD 17,559,256) and shares in Tawazun against the remaining Islamic finance payables amounting to KD 4,552,063 (2020: KD 83,201,664).

The results and other comprehensive income of the discontinued operations for the year are presented below:

	2020
	KD
Income	(1,197,708)
Expenses	(2,127,096)
Loss from discontinued operation before taxes	(3,324,804)
Taxes	(4,767)
Loss from discontinued operation after taxes	(3,329,571)
Net loss on disposal of subsidiaries <sup>1</sup>	(6,452,064)
Loss from discontinued operation	(9,781,635)
Other comprehensive income	206,294
Total comprehensive loss from discontinued operation	(9,575,341)

As at and for the year ended 31 December 2021

# 24 ISLAMIC FINANCE PAYABLES, DEBT SETTLEMENT AND DISCONTINUED OPERATIONS (continued)

Revenue and expenses arising from core business of the Group that have been retained are considered as revenue and expenses from continuing operations, during the current year and in the comparative information. All other revenue and expenses, including loss of disposal of subsidiaries (Tawazun and AREC), are considered as revenue and expenses from discontinued operations in the prior period.

<sup>1</sup>The net impact of the deconsolidation and derocognition of Tawazun and AREC as subsidiaries and the recognition of the retained interests Tawazun and AREC at fair value is as follows:

	2020
	KD
Loss on recognition of 15.1% retained interest in AREC	(5,581,747)
Loss on recognition of 5% retained interest in Tawazun	(384,396)
Transferred to discontinued operations upon disposal	(1,030,847)
Gain on derecognition of Tawazun	471,193
Others	73,733
Net loss on disposal of subsidiaries	(6,452,064)

The net cash flows associated with the Tawazun and AREC are as follows:

	2020
	KD
Operating	538,270
Operating Investing	2,790,072
Financing	(1,324,217)
	2,004,125

As at and for the year ended 31 December 2021

# 25 OTHER LIABILITIES

	2021	2020
	KD	KD
Trade payables	7,031,742	5,878,865
Real estate payables	708,859	708,791
Advances from customers and security deposits	1,620,159	1,571,441
Provision for employees' end of service benefits and accrued staff leave	3,859,091	3,684,114
Dividends payable	289,894	241,477
Capital reduction payable	670,577	<u>-</u>
Amounts due to related parties (Note 28)	93,337	198,074
Provisions and other accruals	12,228,279	10,637,347
Lease liabilities	1,264,462	2,585,465
Liabilities pertaining to debt settlement (Note 24)		849,397
Other payables	4,583,248	4,541,884
	32,349,648	30,896,855

Set out below, are the carrying amount of the Group's lease liabilities and the movement during the year:

	2021	2020
	KD	KD
As at 1 January	2,585,465	3,925,426
Finance costs	65,187	113,547
Payments	(1,391,590)	(1,044,321)
Additions	5,400	-
Rent concessions	-	(348,800)
Reclassified to liabilities directly associated with assets classified as held for Disposal		(60,387)
As at 31 December	1,264,462	2,585,465
AD OCCUPACION OF THE PROPERTY	=======================================	

As at and for the year ended 31 December 2021

# 25 OTHER LIABILITIES (continued)

The following are the amounts recognised in consolidated statement of income:

	2021	2020
	KD	KD
Depreciation of right-of-use assets relating to leasehold rights (included under Note 7)	1,081,196	1,084,164
Depreciation of right-of-use assets (included with depreciation expense in the consolidated statement of profit or loss)	226,918	221,245
Finance costs on lease liabilities (included under Note 7)	62,823	100,160
Finance costs on lease liabilities (included under finance cost)	2,364	13,387
Rent concessions (included under Note 7)	-	(348,800)
Total amount recognised in consolidated statement of profit or loss	1,373,301	1,070,156

### **26 CONTINGENCIES**

At 31 December 2021, the Group's bankers have provided bank guarantees, amounting to KD 301,672 (2020: KD 458,752) from which it is anticipated that no material liabilities will arise.

#### 27 FIDUCIARY ASSETS

Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

The Group manages client asset in a fiduciary capacity. The client assets have no recourse to the general assets of the Group and the Group has no recourse to the assets under management. Accordingly, assets under management are not included in the consolidated financial statements, as they are not assets of the Group. As at 31 December 2021, assets under management amounted to KD 37,803,783 (2020: KD 45,473,260). Income earned from fiduciary assets amounted to KD 197,689 for the year ended 31 December 2021 (2020: KD 100,933).

#### 28 RELATED PARTY DISCLOSURES

These represent transactions with certain related parties (major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management.

As at and for the year ended 31 December 2021

## 28 RELATED PARTY DISCLOSURES (continued)

The aggregate value of transactions and outstanding balances with related parties were as follows:

	Associates	Major shareholders	Other related parties	Total 2021	Total 2020
	KD	KD	KD	KD	KD
Finance costs	-	64,765	-	64,765	402,438
Advisory and management fees	(14,431)	-	212,120	197,689	120,710

	Associates Major shareholders		Other related parties	Total 2021	Total 2020
	KD	KD	KD	KD	KD
Cash and cash equivalents (Note 13)	-	479,610	-	479,610	328,706
Amount due from related parties (Note 17)	108,538	699	102,482	211,719	734,681
Islamic finance payables (Note 24)	-	1,619,129	-	1,619,129	1,821,520
Amount due to related parties (Note 25)	93,337	_	-	93,337	198,074

# Terms and conditions of transactions with related parties

Except for Islamic finance payables, outstanding balances at the year-end are unsecured, non-profit bearing and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has not recognised any allowance for expected credit losses relating to amounts owed by related parties (2020: KD Nil) as the Group has assessed its related parties to have low credit risk based on its strong liquidity position to meet its contractual cash flow obligations in the near term and therefore it does not expect to incur any significant credit losses on receivables from related parties.

# Transactions with key management personnel

Key management personnel comprise of the key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows.

	2021	2020
	KD	KD
Salaries and other short term benefits	1,044,216	1,364,350
Employees end of service benefits	320,363	150,209
	1,364,579	1,514,559

As at and for the year ended 31 December 2021

# 29 SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- ▶ Islamic financing: Providing a range of Islamic products to corporate and individual customers
- Leasing Sector: Leasing of vehicle and equipment to corporate and individual customers and investments with similar or related operations
- ▶ **Real estate:** Buying, selling, and investing in real estate
- ▶ **Proprietary investment and assets management:** Operations of Group's subsidaires and associates (exlcuding leasing related subsidiaires and associates) and managing funds and portfolios.
- Assets held for disposal/ discontinued operations: upon loss of control of Tawazun, AREC, and Batic Manufacturing Company W.L.L. ("Batic") through Mubarrad (Note 5).

				Di-t		
	Islamic financing	Leasing sector	Real estate	Proprietary investment and assets management	Others	Total
	KD	KD	KD	KD	KD	KD
2021						
Total assets	-	68,057,582	21,743,787	33,247,691	15,109,159	138,158,219
Total liabilities	-	11,707,760	4,234,084	3,905,032	17,074,013	36,920,889
Goodwill	-	-	-	91,005	-	91,005
Year ended 31 December 2021						
Revenue	20,518	10,731,955	1,288,053	2,593,593	1,389,516	16,023,635
Segment (loss) profit	93,003	5,947,296	656,652	(577,948)	970,842	7,089,845
Depreciation	-	(7,898,539)	(1,083,538)	(5,077)	-	(8,987,154)
Amortisation of leasehold rights		-	(1,331,756)	-	-	(1,331,756)
Net impairment Losses	1,690,405	(154,752)	71,739	(4,307,286)	529,048	(2,170,846)
Share of results of associates		-	-	(1,392,564)	-	(1,392,564)
Other disclosures:						
Capital expenditure	-	19,854,870	-	-	71,399	19,926,269
Investment in associates	-	-	-	11,141,315	-	11,141,315

As at and for the year ended 31 December 2021

# 29 SEGMENT INFORMATION (continued)

	Islamic financing	Leasing sector	Real estate	Proprietary investment and assets management	Others	Assts held for disposal / Discontinued operations	Total
	KD	KD	KD	KD	KD	KD	KD
2020							
Total assets	-	72,849,933	22,407,498	33,200,612	16,253,380	1,979,363	146,690,786
Total liabilities	49,906	12,427,630	4,487,559	7,699,728	17,956,061	479,363	43,100,247
Goodwill	-	-	-	91,005	-	-	91,005
Year ended 31 December 2020							
Revenue	13,762	9,680,143	846,938	1,920,821	25,395,989	(7,649,772)	30,207,881
Segment (loss) profit	(196,976)	3,449,355	(748,184)	(3,550,977)	30,873,198	(9,781,635)	20,044,781
Depreciation	-	(8,645,864)	(1,087,840)	(760)	-	(12,614)	(9,747,078)
Amortisation of leasehold rights	-	-	(1,335,415)	-	-	-	(1,335,415)
Net impairment Losses	51,555	(405,716)	(1,025,732)	(440,129)	-	(544,252)	(2,364,274)
Share of results of associates	-	-	-	(347,841)	-	(3,391,510)	(3,739,351)
Other disclosures:							
Capital expenditure	-	15,985,822	-	-	45,471	-	16,031,293
Investment in Associates	-	-	-	8,497,741	-	-	8,497,741

# Geographical information

The majority of the Group's assets and revenue is based in the State of Kuwait.

As at and for the year ended 31 December 2021

# 30 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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

#### 30.1 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. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2021	2020
	KD	KD
Cash and short-term deposits	30,942,199	33,851,865
Trade receivables	2,389,279	3,357,281
Receivables from related parties	211,719	734,681
Other receivables	1,543,725	2,017,198
Assets held for disposal	-	665,771
	35,086,922	40,626,796

#### Cash and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents and term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

### Trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

As at and for the year ended 31 December 2021

### 30 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables					
31 December 2021			Days past due			
	Current	91-180 days	>180 days	<b>Total</b> KD		
	KD	KD	KD			
Estimated total gross carrying amount at default	1,732,933	369,913	8,286,284	10,389,130		
Estimated credit loss	550,550	224,693	7,224,608	7,999,851		
Expected credit loss rate	32%	61%	87%	77%		

	Trade receivables					
31 December 2020		Days past due				
	Current	91-180 days	>180 days	Total		
	KD	KD	KD	KD		
Estimated total gross carrying amount at default	1,180,450	1,734,462	8,882,752	11,797,664		
Estimated credit loss	333,234	738,394	7,368,755	8,440,383		
Expected credit loss rate	28%	43%	83%	72%		

### Other receivables and amounts due from related parties

The outstanding balance of other receivables and amounts due from related parties are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date on the outstanding balances was immaterial.

### Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess as whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk. In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

#### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk assumptions, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

The Group calculates ECL on credit facilities classified in stage 3 at 100% of the defaulted exposure net of value of eligible collaterals after applying applicable haircuts.

As at and for the year ended 31 December 2021

### 30 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### PD estimation process

The probability of default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The Group utilises the internal credit standings of its Islamic financing customers and other measures and techniques which seek to take account of all aspects of perceived risk in estimating the PD for IFRS 9. Furthermore, the Group also considers CBK's requirements on flooring of PD for credit facilities.

### Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers EAD based on CBK's guidelines on credit conversion factors to be applied on utilised portions for cash facilities.

## Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based CBK's guidelines on eligible collaterals with prescribed haircuts for determining LGD.

# 30.2 Liquidity risk

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Less than 3 months	3 to 12 months	1 to 5 years	Total
KD	KD	KD	KD
4,571,241	-	-	4,571,241
295,557	885,291	108,446	1,289,294
7,172,802	1,917,127	17,733,834	26,823,763
12,039,600	2,802,418	17,842,280	32,684,298
	3 months KD 4,571,241 295,557 7,172,802	3 months  KD  KD  4,571,241  295,557  885,291  7,172,802  1,917,127	3 months 3 to 12 months years  KD KD KD  4,571,241  295,557 885,291 108,446  7,172,802 1,917,127 17,733,834

2020	Less than 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD
Islamic finance payables	1,821,521	9,902,508	_	11,724,029
Lease liabilities	346,120	1,036,860	1,295,696	2,678,676
Other liabilities*	5,146,922	5,356,100	13,813,327	24,316,349
	7,314,563	16,295,468	15,109,023	38,719,054

<sup>\*</sup> excluding advances and provision for employees' end of service benefits)

As at and for the year ended 31 December 2021

### 30 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 30.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

### 30.3.1 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio. The Group's exposure to equity price risk is not significant as its investment portfolio mainly comprises of unquoted equity securities and funds, where the Group does not hold any material positions.

#### 30.3.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate.

The Group's profit rate risk primarily arise from its borrowings. The Group is subject to limited exposure to profit rate risk due to the fact that this comprises of Islamic finance payables which are fixed-rate instruments and may be repriced immediately based on market movement in profit rates.

# 30.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group has a net liability exposure in US Dollar (USD) at 31 December 2021 equivalent to KD 6,130 (2020: US Dollar (USD) exposure of KD 5,678,920).

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

2021	2020
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Currency	Change in currency rate	ate Effect on results Change in currency rate Eff		Effect on results
		KD		KD
US Dollars	+5%	307	+5%	283,946

An equal change in the opposite direction against the KD would have resulted in an equivalent but opposite impact.

As at and for the year ended 31 December 2021

# 31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

At 31 December 2021	Within 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
	KD	KD	KD	KD	KD	KD
ASSETS						
Cash and short-term deposits	30,889,086		-	53,113	_	30,942,199
Financial assets at FVTPL	308,331	-	808,308	598,360	257,865	1,972,864
Investment in associates	596,955	-	-	-	10,544,360	11,141,315
Investment properties	-	-	-	-	32,000,157	32,000,157
Other assets	2,486,483	316,092	562,979	471,345	1,243,771	5,080,670
Property and equipment	5,712,153	4,028,712	9,185,920	22,155,909	14,402,445	55,485,139
Leasehold rights	328,379	332,028	671,354	113,109	-	1,444,870
Goodwill	-	-	-	-	91,005	91,005
TOTAL ASSETS	40,321,387	4,676,832	11,228,561	23,391,836	58,539,603	138,158,219

At 31 December 2021	Within 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
	KD	KD	KD	KD	KD	KD
LIABILITIES						
Islamic finance payables	4,571,241	-	-	-	-	4,571,241
Other liabilities	8,235,236	851,186	2,173,610	17,540,048	3,549,568	32,349,648
TOTAL LIABILITIES	12,806,477	851,186	2,173,610	17,540,048	3,549,568	36,920,889
NET	27,514,910	3,825,646	9,054,951	5,851,788	54,990,035	101,237,330

As at and for the year ended 31 December 2021

# 31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Within	3 to 6	6 to 12	1 to 3	Over	Total
At 31 December 2020	3 months  KD	months KD	months KD	years KD	3 years KD	KD
Assets	ND .	ND	ND .	ND	ND .	ND
Cash and short-term deposits	33,799,910	-	_	51,955	_	33,851,865
Financial assets at FVTPL	-	-	58,472	1,409,631	992,672	2,460,775
Financial assets at FVOCI	-	-	4,340,771	-	_	4,340,771
Investment in associates	-	-	-	_	8,497,741	8,497,741
Investment properties	-	-	-	_	29,553,724	29,553,724
Other assets	2,311,857	859,498	463,384	1,919,089	1,431,815	6,985,643
Property and equipment	6,723,500	4,639,424	8,635,784	21,907,621	14,246,944	56,153,273
Leasehold rights	328,379	332,028	671,349	1,444,870	_	2,776,626
Goodwill	-	-	-	-	91,005	91,005
	43,163,646	5,830,950	14,169,760	26,733,166	54,813,901	144,711,423
Assets held for disposal	1,979,363	-	-	-	-	1,979,363
TOTAL ASSETS	45,143,009	5,830,950	14,169,760	26,733,166	54,813,901	146,690,786
LIABILITIES						
Islamic finance payables	1,821,521	-	9,902,508	-	-	11,724,029
Other liabilities	6,238,695	1,993,799	4,589,938	15,016,317	3,058,106	30,896,855
	8,060,216	1,993,799	14,492,446	15,016,317	3,058,106	42,620,884
Liabilities directly associated with assets classified as held						
for disposal	479,363	-	-	-	-	479,363
TOTAL LIABILITIES	8,539,579	1,993,799	14,492,446	15,016,317	3,058,106	43,100,247
NET	36,603,430	3,837,151	(322,686)	11,716,849	51,755,795	103,590,539

As at and for the year ended 31 December 2021

# 32 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021. Changes made in the objectives, policies or processes for managing capital during the year ended 31 December 2020 are disclosed in Note 24.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic finance payables and other liabilities less cash and short-term deposits. Capital represents equity attributable to the equity holders of the Parent Company.

	2021	2020
	KD	KD
Islamic finance payables	4,571,241	11,724,029
Other liabilities**	31,335,545	29,894,122
Less: cash and short-term deposits	(30,942,199)	(33,851,865)
Net debt	4,964,587	7,766,286
Equity attributable to the equity holders of the Parent Company	88,254,253	91,190,060
Capital and net debt	93,218,840	98,956,346
Gearing ratio	5%	8%

<sup>\*\*</sup> Other liabilities excluding advances.

#### 33 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

## Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

- ▶ Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at and for the year ended 31 December 2021

# 33 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of the assets measured at fair value by level of the fair value hierarchy:

		Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total		
31 December 2021	KD	KD	KD	KD		
Assets measured at fair value:						
Investment securities:						
Financial assets <i>at</i> FVTPL	29,105	932,241	1,011,518	1,972,864		
Investment properties:						
Investment properties	-	18,858,517	13,141,640	32,000,157		
Revalued property and equipment:						
Leasehold lands	-	11,681,000	-	11,681,000		
	29,105	31,471,758	14,153,158	45,654,021		

		Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total		
31 December 2020	KD	KD	KD	KD		
Assets measured at fair value:						
Investment securities:						
Financial assets at FVTPL	329,253	930,046	1,201,476	2,460,775		
Financial assets at FVOCI	_	-	4,340,771	4,340,771		
Investment properties:						
Investment properties	-	18,853,224	10,700,500	29,553,724		
Revalued property and equipment:						
Leasehold lands	-	11,681,000	-	11,681,000		
	329,253	31,464,270	16,242,747	48,036,270		

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

As at and for the year ended 31 December 2021

# 33 FAIR VALUE MEASUREMENT (continued)

#### Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	Financial assets at FVOCI	Financial assets at FVTPL	Investment prop- erties	Total
	KD	KD	KD	KD
As at 1 January 2021	4,340,771	1,201,476	10,700,500	16,242,747
Additions	2,657,540	1,201,470	3,904,639	6,562,179
Disposals	(1,988,028)	-	(1,400,000)	(3,388,028)
Remeasurements recognized in OCI	(1,458,303)	-	-	(1,458,303)
Remeasurements recognized in profit or loss	-	(189,958)	(63,499)	(253,457)
Reclassified to Associates	(3,551,980)	-	-	(3,551,980)
As at 31 December 2021	-	1,011,518	13,141,640	14,153,158

	Financial assets at FVOCI	Financial assets at FVTPL	Investment prop- erties	Total
	KD	KD	KD	KD
As at 1 January 2020	223,551	1,092,561	10,728,742	12,044,854
Additions	4,340,771	249,202	-	4,589,973
Deemed disposal due to loss of control over subsidiaries	(222,773)	-	-	(222,773)
Remeasurements	(778)	(140,287)	(28,242)	(169,307)
As at 31 December 2020	4,340,771	1,201,476	10,700,500	16,242,747

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in profit rates.

For assets classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, no significant changes in fair values were noted.

As at and for the year ended 31 December 2021

#### 34 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The measures to slow the spread of Covid 19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

As a result, the Group considered the impact of Covid19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of Covid19 resulted in the application of further judgement within those areas.

Given the evolving nature of Covid19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

#### Trade, lease and other receivables

The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

# Impairment of non-financial assets

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

#### Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the year. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, these consolidated financial statements have been prepared on a going concern basis.

### 35 SUBSEQUENT EVENTS

The Board of Directors of the Parent Company in their meeting held on 6 February 2022 proposed a partial reduction amounting to KD 5,000,000 in share capital from KD 71,403,882 to KD 66,403,882 by way of cash distribution to the shareholders. This proposal is subject to the approval of the shareholders at the extraordinary general assembly meeting (EGM) after obtaining all necessary regulatory approvals.