Risk
Guided
Return

HAYAT INVEST

ANNUAL REPORT

2021

Contents

Chairman's Statement

Dear Shareholders,

By the grace of Almighty Allah, I am pleased to present to you the thirteenth annual report of the company.

Your Company's assets grew to KD 33.32 million this year from KD 15 million at inception. The corresponding increase in shareholders' equity has been from KD 16.47 million to KD 31.69 million. This alongwith dividends declared periodically translates to an IRR of 9.72% to our shareholders since inception.

As we enter the third year of the coronavirus pandemic, despite some prevailing gloom, there are reasons to be optimistic. Co-ordinated actions by governments and healthcare authorities on vaccinations and health measures have in all likelihood, prevented a far worse outcome.

The past year saw rising risks from inflation and supply chain disruptions. However, even on this front, there was a silver lining in that businesses proved to be adaptable and resilient, with many able to pass on rising prices to their customers and continue business operations with employees working remotely. Profits at US companies in the S&P 500 are estimated to have grown by 45% in CY2021 from the previous year and 26% from CY2019 levels, which are a better reflection of earnings before the full impact of the disruptions from the pandemic.

Developed markets listed equities (as measured by the MSCI World Index) returned 20.14% for the year, vastly outperforming Emerging market listed equities (as measured by the MSCI Emerging Markets Index) which returned -4.59%.

We were selective in deploying funds last year into listed equities and real estate projects given generally stretched valuations. Looking ahead into CY2022, we see greater market volatility than in the previous year. Markets will have to adjust to an environment of gradually tightening monetary policy which will no doubt put pressure on asset values. Inflation, particularly supply side led inflation, is likely to reduce as supply disruptions ease and employees rejoin the workforce. Again, this adjustment is likely to have a silver lining in that, as assets reprice and yields revert to more normal levels, those assets which for a long time offered little to no returns, will now start becoming more attractive to investors. Our goal in the coming year, will be to deploy capital strategically and capitalize when the opportunity presents itself.

I thank our stakeholders and employees for their efforts in building our company. I am particularly thankful to our valued shareholders for their continued support and confidence.

Dr. Nabeel Al Mannae,

Chairman & CEO,

Hayat Invest Company K.S.C.C.

Financial Highlights

	KWD				
	2017	**2018**	**2019**	**2020**	**2021**
Net Profit/loss (KD)	(17,964,803)	(6,704,965)	9,299	(15,610,228)	858,338
Total Operating Income (KD)	(16,002,483)	(5,211,196)	1,573,422	(12,253,617)	1,622,562
Total Assets (KD)	74,971,051	68,393,405	67,821,390	38,454,253	33,323,942
Total Liabilities (KD)	15,664,301	15,836,623	15,372,106	1,564,042	1,629,508
Total Equity (KD)	59,306,750	52,556,782	52,449,284	36,890,211	31,694,434
Earning/loss per Share (Fils)	(119.77)	(44.70)	0.06	(104.07)	5.72
Book Value per Share (fls)	395.4	350.4	349.7	245.9	211.3
Return on Equity (%)*	-22.91%	-11.31%	0.02%	-29.76%	2.33%

Management Report

Introduction

Broadly, stock markets continued to climb higher in 2021 supported by accommodative Central bank policies and strong corporate earnings growth. Developed markets (as measured by the MSCI World Index) returned 20.14% for the year, vastly outperforming Emerging markets (as measured by the MSCI Emerging Markets Index) which returned -4.59%. Among large global markets, the U.S. stock market was a clear outperformer, recording a third straight year of growth in 2021. The S&P 500 notched 70 all-time highs in 2021 with every pullback or period of market turbulence met with a strong buy response from investors.

US equities climbed steadily upwards throughout the year, supported by accommodative fiscal and monetary policy along with a rapidly improving U.S. economy as lockdowns and restrictions were loosened. The S&P 500 ended the year up nearly 27% with stocks tied to the reopening, such as Energy, Financials, and Industrials, outperforming in the first half of 2021. The first half of the year saw value stocks outpace their growth counterparts by the widest gap in more than a decade. The second half of the year saw a rotation into growth stocks, led primarily by growth-oriented large-caps. By December, just five stocks Microsoft (MSFT), Google (GOOG), Apple (AAPL), Nvidia (NVDA) and Tesla (TSLA) accounted for nearly half of the S&P 500's return since April.

Towards June, concerns grew regarding stretched supply chains and low inventories. Pent-up demand and massive stimulus contributed to record consumer spending, at a time when many companies were still trying to ramp up production following the chaos caused by the pandemic. These supply bottlenecks coupled with robust demand, fed into inflation with surging food, industrial metal, and oil prices. The Consumer Price Index (CPI) for June increased to the highest level since the onset of the 2008 Financial Crisis.

European markets (ex-UK) also performed well with gains of 22.2%. The best performing sectors for the year were Banks and Technology, both gaining roughly 34%. The FTSE and the DAX saw gains of around 15% for the year, while the French CAC logged a rise of nearly 30%. Emerging markets on the other hand, performed relatively poorly largely on account of policy tightening and supply chain disruptions in certain key markets. Brazil was the worst performing large emerging market, declining 11.9% followed by Chinese and Korean stocks with low single digit declines. India and Taiwan performed relatively well with both gaining approximately 23%.

Kuwait

Kuwait's GDP is projected to grow 1% y-o-y in 2021 according to IMF October 2021 estimates, with the non-oil sector growing +3.2% versus -1% de-growth in the oil sector. The economy is gradually recovering from the pandemic, supported by higher oil prices and rising consumption. Credit growth to businesses saw a modest rise, up +0.3% y-o-y in September. The labor market is also undergoing a period of adjustment with a sizeable decline in mainly low skilled foreign labor and a slight contraction in the number of nationals employed in the private sector. Inflation expectations for FY2021 have been revised higher to +3%, above earlier estimates of +2.6%. Food inflation was pronounced, particularly for fruits and vegetables and reflects higher international food prices. Public finances have been boosted by higher oil prices and relatively restrained spending. The full year deficit is expected to come in below an earlier estimate of 10.5% of GDP. Looking ahead, Real GDP is expected to grow by 4.3% in 2022, supported by higher oil prices (IMF). Inflation remains a worry in 2022, due to supply chain disruptions and rising food prices which will likely resolve in the second half of the year.

Kuwait Stock Exchange

Kuwait's All share index ended the year up 27%, making it the fourth best performing index in the GCC. Equities were supported by the recovery in oil prices and strong corporate profits. Nine out of the thirteen sectoral benchmarks advanced with the best performing sectoral indices being Consumer Services and Financial Services returning 63% and 53% respectively. The worst performing sectors were the Utilities and Healthcare sectors at -17% and -3.6% respectively. The best performing stock for the year was Al-Eid Food Co. with a gain of 290% followed by Gulf Investment House and National Real Estate with gains of 260% and 207%, respectively. KFH was the most heavily traded stock in 2021 with yearly value traded at KWD 1.2 billion followed by NBK at KWD 1.15 billion.

Total market capitalization for the exchange reached KWD 41.39 billion at the end of the year as compared to KWD 32.22 billion at the end of last year, an increase of 28%. The value of shares traded during the year also increased 26% to reach KWD 13.61 billion as compared to KWD 10.75 billion in the previous year.

GCC & MENA

The MSCI GCC index gained 34.9% in 2021, its best performance in 14 years. Regional markets were led by Abu Dhabi which gained 68.2% and Saudi Arabia with a gain of 29.8%. Markets were broadly supported by higher oil prices and economic optimism from continued state spending on large scale projects.

The best performing sectors were diversified financials and banks with returns of 62% and 48% respectively. The worst performing sector was food and beverage which declined 9%. Traded value across the region reached USD 789.7 billion, an increase of 19.7% from the previous year and reaching the highest level of trading activity since 2014. Abu Dhabi saw the steepest increase in trading activity with value traded growing fivefold in 2021 from the previous year.

Regional exchanges also saw strong IPO activity during the year – particularly on the Saudi Tadawul and Abu Dhabi exchanges. Saudi Tadawul's IPO list was led by ACWA Power International, which raised $1.2 billion from investors, and the Tadawul group, which raised $1 billion. Abu Dhabi's Yah Satellite Communications Company (Yahsat) was the exchange's first listing since 2017. The Yahsat offering oversubscribed multiple times, with Mubadala continuing to retain a 60% shareholding in the company.

Global growth forecast

The recovery in global economic activity since mid-2020 has been more vigorous than expected, with output in most countries now close to or above pre-pandemic levels. This reflects the prompt and massive policy support for firms and households from the outset of the crisis, including the additional measures announced this year, successful public health measures to limit transmission of the COVID-19 virus and, above all, the rapid rollout of effective vaccines.

The strength of the rebound has not yet permitted a full healing of the global economy from the effects of the pandemic. The world has foregone the growth that would have occurred in 2020 and the first half of 2021: global GDP in mid-2021 was still 3.5 per cent lower than projected before the pandemic, with the loss being proportionately greater for low and middle-income emerging-market economies as a group than for advanced economies.

According to IMF estimates, the global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022. The forecast for 2021 was revised 0.1 percent lower from estimates in July 2021, reflecting a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market economies.

Headline inflation and, to a lesser extent, core consumer price inflation have risen markedly in most countries over the past year. Among large advanced economies, particularly the United States, as well as, to a lesser extent, the United Kingdom, Germany and Canada. Commodity prices have risen particularly sharply, as have prices in many durable goods sectors, especially in the United States, where the switch in consumer demand from services to durable goods was particularly marked.

Beyond 2022 global growth is projected to moderate to about 3.3 percent over the medium term. Advanced economy output is forecast to exceed pre-pandemic medium-term projections—largely reflecting sizable anticipated further policy support in the United States that includes measures to boost infrastructure spending and increase potential baseline growth. By contrast, persistent output losses are anticipated for emerging markets due to slower vaccine rollouts and generally less policy support compared to advanced economies.

United States

Real GDP growth is anticipated to strengthen through the end of 2021 and early 2022. An improving public health situation should support increased services consumption and labor market participation through this period. Supply disruptions may take some time to fully ease but will eventually allow stronger goods consumption by households and businesses to rebuild inventories. This will be accompanied by a recovery in trade growth.

Pandemic-related fiscal measures announced in 2020 and early 2021 have now largely expired. Even so, previous stimulus measures, supplementary unemployment benefit payments and expanded benefit coverage, have resulted in significant accumulated savings that will continue to support the economic recovery. The household saving rate increased by around 9 percentage points in 2020 and remained well above pre-pandemic levels in 2021.

With the continued recovery in the labor market, nominal wage growth will pick up further. While price inflation is projected to moderate in some sectors as supply disruptions abate, higher wages, along with recent increases in housing rents and shipping rates, will lead to stronger overall consumer price growth than prior to the pandemic. An upside risk to the projections is that the high levels of accumulated household savings fuel a stronger rebound in consumption than expected.

The Fed is expected to begin running down its $8.7 trillion balance sheet in the coming year. Asset purchases are expected to end by March 2022 with rate rises to follow. The Fed began tapering its $120 billion monthly purchases by $15 billion in November 2021, doubling the tapering rate to $30 billion in January 2022. Current expectations are for up to three quarter-percentage point increases in 2022, as well as another three hikes in 2023.

Eurozone

Advanced European economies are forecast to expand by 5.2 percent and emerging European economies by 6 percent in 2021. the recovery is expected to consolidate in 2022, with growth projected at 4.4 percent in advanced European economies and 3.6 percent in emerging European economies, while risks are tilted to the downside owing to potential virus mutations, prolonged supply disruptions, and high energy prices among others.

The economic impact of the COVID-19 pandemic has been highly uneven across Europe. While real activity contracted by more than 10 percent in the worst-hit countries, a few managed to avoid a recession in 2020. On average, emerging market economies in Europe experienced significantly shallower recessions, with real GDP contracting by 2 percent, on average, compared to the 6.4 percent average decline in advanced European economies. The substantial variation in the growth outcomes of European countries during the pandemic can be explained by differentials in underlying growth, a decline in mobility, pre-pandemic country fundamentals pertaining to health and macroeconomic factors, and policy support measures.

GERMANY

The recovery in Germany is being hampered by shortages of key manufacturing inputs, although a large stock of unfilled orders signals a strong potential rebound as supply constraints ease. Private consumption will accelerate in 2022 as confidence improves. Solid investment will be underpinned by low interest rates and increasing capacity pressures. Inflation is likely to ease in 2022. The rise in COVID-19 cases and persistent supply shortages in critical industries could slow the recovery.

FRANCE

Domestic demand is expected to drive the recovery with improved labor market outcomes boosting private consumption while the recovery and investment plans support investment. Exports will gradually catch up as prospects in the aerospace and tourism sectors improve. Headline inflation has reached a high level, but the temporary freeze of regulated energy prices will reduce the short-term impact of wholesale energy price rises, while persistent labor market slack should temporarily limit pressures for wage increases. Fiscal support has become more targeted and is likely to be reduced further as the recovery gains traction.

SPAIN

Domestic demand will be the main driver of growth as higher confidence, improving labor market conditions, favorable financing conditions and the Next Generation EU funds boost private consumption and investment. Headline inflation in 2022 will remain high, due to the carryover effect from 2021, while core inflation will remain at moderate levels. Fiscal policy is set to remain supportive in 2022 and broadly neutral in 2023.

United Kingdom

The economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Output is projected to rise by 6.9% in 2021, with growth moderating to 4.7% in 2022 and 2.1% in 2023. Consumption is the main driver of growth during the projection period. Business investment will improve but continues to be held back by uncertainty. Increased border costs following the exit from the EU Single Market are weighing on imports and exports. Unemployment will continue to decline. Inflation will keep increasing due to higher energy and commodity prices and continuing supply shortages. It is expected to peak at 4.9% in the first half of 2022 and then fall back towards the 2% target by the end of 2023. Monetary policy should tighten gradually to bring inflation back to target over the medium term, as price pressures show signs of becoming persistent. Fiscal policy is expected to continue to support the economy and become more targeted to aid economic restructuring.

China

The swift recovery in China, driven by strong exports on the back of re-opening of overseas economies and robust investment, stalled in the second half of the year. The default of China Evergrande Group, shook financial markets and confidence in the real estate sector, thereby weakening an important growth engine of the economy. Prospects for manufacturing investment have also worsened due to temporary power cuts in a large number of provinces. Consumption growth is stable, but adverse confidence effects coupled with inadequate social protection still hold it back. Consumer price inflation is low as there is only limited pass-through from surging prices in upstream industries.

Monetary policy will remain prudent, ensuring sufficient liquidity, but refraining from significant easing. Fiscal policy is expected to consolidate further to meet fiscal rule targets. The rebound of economic activities and the phasing out of COVID-19-related tax exemption and reduction measures has resulted in buoyant revenues. Reining in anti-competitive practices may cause disruptions in service provision in the short term, but should lead to greater efficiency over time.

Japan

The re-introduction and expansion of the fourth coronavirus state of emergency, in the face of rising cases in July, held back the economic recovery. Significant progress in vaccination and falling rates of infection are now supporting the resumption of stronger consumption growth and lifting investment, as supply chain disruptions are resolved.

While the recovery is still to gain traction, a new stimulus package announced in November 2021, should improve well-being and boost the outlook in the longer term, by strengthening the medical system and by investing in human resources, technology and infrastructure. Along these lines, the new economic package will both spur the economy in the short run and support longer-term growth.

GCC and MENA

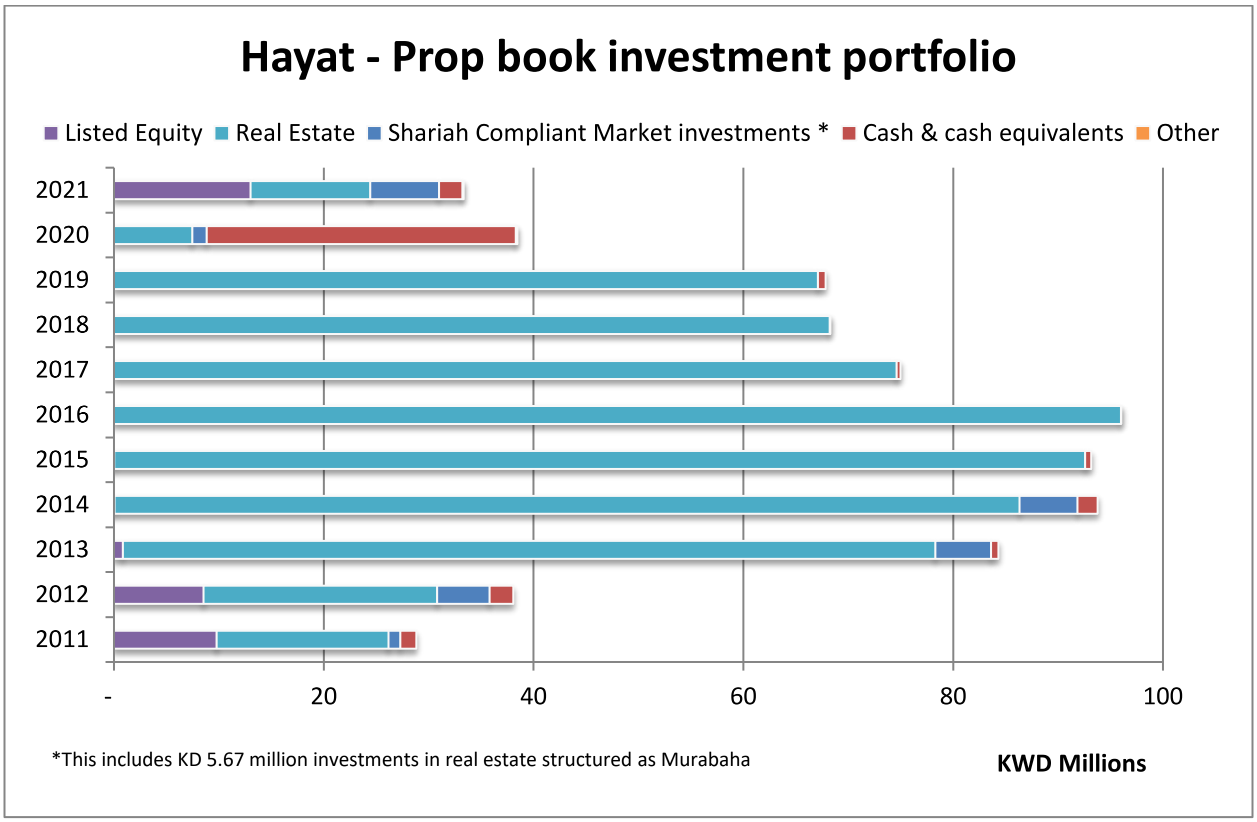
Oil prices have recovered since the last quarter of 2020, reflecting improved global demand, combined with the Organization of Petroleum Exporting Countries and other major oil producers (OPEC+) agreements to extend oil production cuts, and Saudi Arabia's announcement of further production cuts. After falling to $27 per barrel in April 2020, oil prices reached $67 per barrel in mid-March 2021, trading at about 4.5 percent above the 2019 average.

Activity in oil-exporting countries is set to rebound, reflecting a carryover from the last quarter of 2020, and amplified by the expected pickup in activity in the second half of 2021. Higher oil prices and early vaccine rollouts support the outlook for many GCC economies. The recent increase in oil prices will boost confidence, supporting non-oil GDP, which is projected to expand by 3.3 percent in 2021. Oil activity will remain subdued in the short term, reflecting the OPEC+ production curbs and continued US sanctions on Iran.

Hayat in 2021

We began the year with substantial cash on hand from the exit of Al Nakhla compound in Riyadh, Saudi Arabia. This was selectively deployed into listed equities and real estate gradually over the year. The listed equity portfolio was diversified geographically by region, giving a moderate overweighting to US equities and a relative underweighting to Emerging market equities. Even though US equities had already run up and were fairly to richly valued, liquidity at the time was plentiful, giving US equities advantages over other asset classes.

We were also selective in terms of deploying funds to real estate projects. A number of proposals were evaluated and rejected because we felt that the returns were not commensurate with the risks being borne. Rejected projects in general, either had time horizons that were too long or were in markets where valuations were already known to be stretched – both of which added to risks of the proposal. We invested in a shorter term, value-add commercial real estate project in Spain and continue to actively explore proposals particularly in Europe and North America. It can be seen that investment book has shrunk in 2021 compared to the year 2020 because of Cash outflow on various counts including declaration of sizeable dividend. The portfolio has however become more diversified. Diversification of investment will remain an important aspect while deploying our fund in more assets as suitably valued opportunities are identified.



Listed Equity

Our listed equity book was gradually scaled up to roughly 40% of the investment portfolio. We expect markets in the coming year to be volatile and may scale the portfolio up or down in line with the expected opportunity.

Real Estate: Status of Existing Projects

Hayat Luxury Villas Company LLC

Hayat Residential villa project is situated near the coast of northern Jeddah, Saudi Arabia. The project occupies an area of 32,209 square meters and is in close vicinity to both the Red Sea Mall (one of the largest malls in Jeddah) and King Abdul Aziz International airport.

Progress during 2021

As of year-end, out of 96 villa units in total, 51 units have been sold with the remaining 45 units still available for sale. During FY2021, 7 units were sold to the customers. Revenues for 9 units are yet to be recognized in the books pending meeting the performance obligations. The units sold during the year fetched better price than previous years which raises the hopes for better yield for remaining units. With the reopening of economy after pandemic and recovery of international oil prices, sales of rest of the units is expected to be materialized rapidly.

Baabda

Project Description: Luxury multifamily residential apartment building in Baabda, Lebanon

Progress during 2021

Our multifamily residential apartment building in Baabda, Lebanon is fully constructed and ready for sale. Due to the unstable economic and political environment in Lebanon in 2020, no units were sold in the previous year. We expect sales to remain muted in the coming year before picking up towards the end of FY2022.

Return on Investments

We made a profit of KWD 0.86 million during the year as compared to a loss of KWD 15.61 million in the previous year.

Hayat's share of income from joint ventures including discontinued operations for the year stood at KD 0.97 million vs a loss of KD 12.23 million in the previous year. During the year, Hayat Villas Company made a profit of KD 2.01 million of which Hayat Invest Company's share was KD 1.0 million.

Net investment gain for the year amounted to KD 1.06 million vs. KD 0.05 million in the corresponding period. Investment gains for the year mainly came from realized and unrealized income from foreign quoted securities which were partially offset by provision for expected credit losses.

Foreign exchange losses resulting from our investments in listed securities and Murabaha rose to KD 0.44 million from 0.08 million in the corresponding period.

Fee and commissions income remain an insignificant income source (relative to our other operations) given low levels of client assets and the closure of Hayat India Equity Fund Ltd.

Select Heads from Consolidated Statement of Comprehensive Income

	FY2021	**FY2020**
Net investment income	1,057,378	49,255
Share of (loss) / profit of equity-accounted investee	966,341	(12,237,577)
Foreign exchange loss	(443,995)	(78,523)
Fee and commission income	3,114	2,768
Other income	-	10,460
Total Operating (loss) / profit	**1,582,838**	**(12,253,617)**
Total operating expenses	**(714,500)**	**(3,356,611)**
Net (loss) / profit for the year	**858,338**	**(15,610,228)**
Total comprehensive (loss)/ profit for the year	**804,223**	**(15,559,073)**
Basic and diluted (loss) / profit per share (fils)	5.72	-104.07

Consolidated Statement of Financial Position

	FY2021	FY2020

Cash and cash equivalents	2,222,935	29,483,883
Financial assets at FVTOCI	3,165,856	96,911
Financial assets at FVTPL	14,061,879	1,249,164
Financing receivables	5,507,470	117,909
Investment property	3,663,817	3,673,109
Equity-accounted investees	3,770,533	3,693,915
Other assets	109,917	139,362
Assets held for sale	821,535	-
Total assets	**33,323,942**	**38,454,253**
Total liabilities	**1,629,509**	**1,564,042**
Total equity	**31,694,433**	**36,890,211**
Total liabilities and equity	**33,323,942**	**38,454,253**

Hayat's Financial Product and Services

Hayat provides its clients with customized, Shariah compliant investment solutions. Our offerings are tailor made to address the individual risk-return profile of our client and towards this aim, we actively seek out and pursue Shariah compliant investment opportunities across asset classes and geographies.

Portfolio & Wealth Management

Hayat offers customized wealth management services to clients in the form of discretionary and non-discretionary portfolio management services. Our portfolio management team develops an asset allocation plan, unique to each client and tailored to that client's specific investment needs and objectives. Special emphasis is placed on managing investment risks. Risk is first minimized through appropriate asset allocation and then further reduced through global diversification. Client information is updated at regular frequency and clients are provided with regular portfolio performance reviews and analysis.

At present, Hayat has a limited number of discretionary and/or non-discretionary clients. However, our plan for the coming year(s) includes expanding our clientele base for both listed equity and real estate investments. Our current client real estate investment portfolio currently focuses on the Indian and European real estate markets. For the year ahead, we are considering new opportunities for our clients in developed real estate markets, particularly in European real estate.

Brokerage Services

Hayat's brokerage desk accesses global markets in a Shariah compliant way which implies screening out the non-Shariah compliant securities and trading & settling the trades in these countries on terms and conditions which are Shariah compliant. Our reach in brokerage encompasses all important markets-both in developing and emerging countries.

Risk Management at Hayat

Risk reduction is a pillar of our investment decision making process. As an investment company, we are exposed to a number of diverse risks. For our investment portfolios, we monitor market risk parameters continuously with daily, weekly, monthly and quarterly reports guiding the investment managers to effectively control risks. Our quarterly reports go into more detail and measure performance on a risk adjusted basis. To control risk in our various non-listed investments (mostly real estate), the progress of every project is reviewed at every quarter. The investment risk reports review the ongoing progress of each project comparing actual percentage of completion with the planned time schedule to control delays and slippages. As a result, financial models are updated with the latest market inputs to analyze their impact on project IRR. A sensitivity analysis is also prepared in order to assess the impact on project IRR due to adverse movement in key variables. Furthermore, our projects are closely monitored through regular site visits and exchange of communication with developers and contractors.

In 2011, we established a separate Risk Department under the supervision of a dedicated Risk Manager. At a strategic level, the Risk Department designs processes, policies and procedures to identify and manage various types of risks relevant to the company. The Risk Manager reports to the Risk Management Committee (RMC) and is responsible for identifying, assessing and suggesting control measures for both the enterprise and investment portfolio.

Operating risk at Hayat is addressed at systems level. Our securities back office is system-linked with the accounting function and therefore this aspect of operating risk is controlled. Additionally, Hayat has prepared procedure manuals for its critical operations and adherence with these minimizes operating risks.

Internal Audit at Hayat is outsourced to a reputed firm who conducts audit on quarterly basis and gives its findings on every aspect of the business operations. This gives us additional comfort as feedback from audit reports not only confirm the robustness of existing risk management system but also helps in further enhancing its scope.

Human Resources

Hayat believes that its employees are its most valuable asset. Our team of talented and seasoned professionals contributes a pivotal role in realizing the company's strategic goals and objectives.

To maintain and further enhance our competitive advantage over peers, Hayat recognizes the need to keep our human resources abreast with the today's challenging financial environment. To this end, Hayat believes in continuously improving job skills through various training courses. The combination of offering right compensation package, amicable and challenging work environment, improving job skills and an opportunity for growth have created a richly experienced and dynamic team that will ensure that the company achieves its goals.

Our staff comprises bright natives and skilled expatriates. This is spanned across various departments e.g. Investments, Operations, HR, legal, Finance & Administration, Compliance and Risk Management. Our employees have a credential basket of experience and qualifications such as CFA, FRM, MBA and various other accredited qualifications.

Corporate Governance

Hayat's Board of directors believes that ensuring effective corporate governance is a continuous process and a critical factor in achieving business success. Hayat has a strong corporate governance framework and is fully compliant with the requirements of the Capital Markets Authority (CMA).

At present, our board comprises six directors, of which the majority (five) are non-executive (including one independent director). Three of them represent institutional shareholders. The presence of large institutional shareholders in itself ensures that corporate governance practices, prevalent at the level of institutions also translate into corporate practices of Hayat.

The board has three sub-committees: The Audit Committee, The Nomination & Remuneration Committee and the Risk Committee. These committees are constituted in line with CMA corporate governance guidelines and include independent members. Our internal audit function is outsourced to an international audit firm with expertise in internal audit and risk management.

When deciding on strategic and important issues, Hayat operates through discussions within various committees namely Executive Management Committee, Credit Committee and Asset Management Committee.

Hayat places significant emphasis on internal compliance procedures. The Financial Statements of the company are prepared in compliance with the guidelines of the International Accounting Standards and other statutory regulations. Reports to CBK and CMA are sent on fortnightly, monthly, quarterly and yearly basis. Hayat has been prompt and diligent in sending these reports without attracting any sanction.

Our Plan for FY2022

Central banks are expected to begin normalizing interest rates in the coming year in the face of rising inflation pressures and the reduced need for stimulus as economies recover from the coronavirus pandemic. However, the pace of this normalization is expected to differ sharply by region – more accelerated in US market but at slow pace in Europe. Broadly, reducing the supply of liquidity will not be supportive for financial market assets. However, the reduction of liquidity is likely to result in the emergence of pockets of value in the market.

With this backdrop, we believe it is prudent to continue with the same asset allocation plan from the previous year. The bulk of our investments will be split between alternative investments and listed equity, with fixed income instruments used to park funds until they can be deployed in other asset classes. Investments in alternative assets will primarily be in real estate and is subject to our being able to source sufficiently attractive proposals.

Our investment strategy for 2022 is to manage existing risks by constructing a portfolio that is well diversified across asset classes and geographies. Our investment strategy will focus on five asset classes: Listed equity, Private equity, Real Estate assets, Precious Metals and Fixed Income (including cash). The attractiveness of those asset classes differs by geography and will be selected based on anticipated risk and return opportunities. We expect markets to be volatile in the coming year as a result of which our portfolio allocation caps are likely to change depending on market conditions and the expected opportunity set as we progress through the coming year.

The expected combination of continued strong earnings along with price multiple compression is likely to present some good opportunities for medium to long term investors to enter in the coming year. After a long period of stretched valuations that has rewarded momentum players, we see more of a stock pickers market likely to emerge next year. For all your investment needs, Hayat is at your service and we thank you for your continued trust in us.

شركة بيت الصناعة المالية الإسلامية
Islamic Financial Industry

Corresponding to28 / 03 / 2022

Sharia Supervisory Board Report

For the financial period from 01/01/2021 - 31/12/2021

Greetings,

Praise be to God, Lord of the Worlds, and blessings and peace be upon the one after whom there is no prophet, and upon all his family and companions

Ms/ Hayat Investment Company

In accordance with the delegation granted to us by the members of the General Assembly of Hayat Investment Company, in accordance with the articles of association of the company and the instructions of the relevant regulatory authorities, Sharia Supervisory Board submits its final report for the financial period from 01/01/2021 AD - till 12/31/2021 AD.

- Sharia Supervisory Board implemented its work, including examining investment structures, terms of contract, transactions, products, policies and procedures, either directly or in coordination with the Internal Sharia audit division in order to obtain all information and explanations that it considered necessary to provide it with sufficient evidence giving reasonable assurances. Those reasonable assurances assures that the company did not violate the provisions of Islamic Sharia in light of the decisions of Sharia Supervisory Board, the approved Sharia standards for the company, as well as the decisions of the relevant regulatory authorities.
- Sharia Supervisory Board of the company has reviewed the contracts and procedures followed in the company according to what was presented to us. Moreover, we also obtained all the necessary information and explanations to issue an opinion on the extent of the company's business commitment to the provisions of Islamic Sharia.
- Sharia Supervisory Board has responded to all inquiries of the company and issued (32) resolutions.

In our opinion, after considering all the clarifications, confirmations and representations that we have obtained, we believe that **the contracts, procedures, operations, transactions and documents that the company entered into during the period from 01/01/2021 till- 31/12/2021 AD were executed in accordance with the provisions of Islamic Sharia.**

Thus, we ask God the Almighty to grant success to those who are responsible for the company to serve our true religion and our dear nation, bringing all right and righteousness. God is the Grantor of success.

Sharia Board

PH.D professor. / Abdulaziz Al-Qassar
Chairman of Shari'a Supervisory Board

Dr. Essam Al-Anzi
Member of Sharia Supervisory Board

Dr. / Ali Ibrahim Al-Rashed
Member of Sharia Supervisory Board

Date : 24/03/2022

Messrs. Hayat Investment Co. **Respected ,,**

Subject: Final Report of External Shari'ah Audit

For the fiscal period as of 01/01/2021-31/12/2021

Peace, Mercy & Blessings of Allah be upon you:

The External Shari'ah Audit Office has reviewed the information received by us based on a request to limiting the operations and activities performed during the above-mentioned period on 21 Shaban 1443 AH, corresponding to 24/03/2022 AD, and it has studied such responses, attachments, and field visits, and accordingly; the office submits its report to you based on such responses and information received as follows:

First : Objectives and tasks :

- To ensure compliance with the provisions and principles of Islamic Shari'ah as per the Shari'ah principles and the Resolutions and Fatwas of the Shari'ah Supervisory Board.
- To ensure that the transactions of securities examined and reviewed are in compliance with the provisions of Islamic Shari'ah .
- To ensure the integrity of transaction procedures and processes reviewed and its phases of completion.
- To ensure the application of Shari'ah reference rules for such transactions.
- To provide Shari'ah remedies for violations, if any, in the financial transaction or methods of its completion.
- To conduct field visits and document such visits.
- To approve the report of the External Shari'ah Audit office by the Shari'ah Auditor.

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Second : Audit Procedures :

The report of the Internal Shari'ah Auditor for the first and second quarters is reviewed. As for the third and fourth quarters, their Internal Shari'ah Auditor's report is not attached. The company has stated that the Internal Shari'ah Auditor's report for the third and fourth quarters of 2021 is not issued , due to the resignation of the Internal Shari'ah Auditor as of Date of 31/07/2021 , and it is not possible to complete the registration of the nominated Internal Shari'ah Auditor with the Capital Markets Authority , and the company is proceeding in interviewing several candidates to fill up such position in coordination with the Capital Markets Authority ensuring that their conditions are in compliance with the requirements of the Capital Markets Authority .

- The organizational structure, financial statements and back accounts are reviewed.
- The completed contracts submitted to the Shari'ah Supervisory Board (a number of 26 completed contracts) are reviewed.
- The profit clearing document is reviewed.
  - The Management of Hayat Investment Co. has promised to deliver the document of clearing amount collection on Sunday, corresponding to 27/03/2022 AD.
- The invested activities completed by the concerned authorities for conducting security processes and transactions and its phases of completion are reviewed as follows :

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Ser.#	Department	Activity
1	Investment Department	External Contracts
		Shares
		Banking deposits
		Instruments
		Local and foreign funds
		Investment Agency
		Investment Portfolios

- The Shari'ah reference rules for such reviewed transactions are ensured.
- Field Visits :
  - First visit : Thursday; 28/10/2021.
  - Second visit : Thursday; 28/10/2021.
  - Third visit : Communication is made though telephone calls and correspondence via email.
  - Fourth visit : Communication is made though telephone calls and correspondence via email.

Third : Audit Results & Final Independent Opinion

The External Shari'ah Audit Office has reached the final opinion that there is no any comment on the completed processes during the said financial period.

External Shari'ah Auditor

Dr. Abdulaziz Khalaf Jarallah

Authorized Representative

Yahya Al Hammadi

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Hayat Invest Company K.S.C. (Closed)
State of Kuwait

HAYAT INVEST

Consolidated Financial Statements and Independent Auditor's Report
for the year ended 31 December 2021

Contents **Page**

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Independent auditor's report

The Shareholders
Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Opinion

We have audited the consolidated financial statements of Hayat Invest Company K.S.C. (Closed) ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("the 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.

KPMG Safi Al-Mutawa & Partners, a Kuwait Public Accountant and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information 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 IFRS, as adopted by the CBK 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum of incorporation and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the Board of Directors' report agrees with the books of accounts. We have not become aware of any violations of the provisions of the Companies Law No.1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association during the year ended 31 December 2021 that might have had a material effect on the business of the Company or on its consolidated 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 organization of banking business, and its related regulations, or of Law No. 7 of 2010, as amended, 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 Company or on its consolidated financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 31 March 2022

Hayat Invest Company K.S.C. (Closed)
State of Kuwait

HAYAT INVEST

Consolidated statement of financial position
as at 31 December 2021

	Note	2021 KD	2020 KD
Assets			
Cash and cash equivalents	*6*	2,222,935	29,483,883
Financial assets at fair value through other comprehensive income	*7*	3,165,856	96,911
Financial assets at fair value through profit and loss	*8*	14,061,879	1,249,164
Financing receivables	*9*	5,507,470	117,909
Investment property	*10*	3,663,817	3,673,109
Equity-accounted investees	*11*	3,770,533	3,693,915
Other assets	*12*	109,917	139,362
		32,502,407	38,454,253
Assets held for sale	*13*	821,535	-
Total assets		33,323,942	38,454,253
Liabilities			
Other liabilities	*14*	1,629,508	1,564,042
Total liabilities		1,629,508	1,564,042
Equity			
Share capital	*15*	15,000,000	15,000,000
Statutory reserve	*16*	6,582,386	6,495,552
Voluntary reserve	*17*	4,082,386	6,495,552
Translation reserve		5,036,896	5,105,084
Fair value reserve		20,850	6,777
Retained earnings		971,916	3,787,246
Total equity		31,694,434	36,890,211
Total liabilities and equity		33,323,942	38,454,253

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

Dr. Nabeel A. Al-Mannae
Chairman & CEO

Hayat Invest Company K.S.C. (Closed)
State of Kuwait

HAYAT INVEST

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

	Note	2021 KD	2020 KD
Net investment income	20	1,057,378	49,255
Fees and commission income	25	3,114	2,768
Share of profit / (loss) of equity-accounted investees	11	1,006,065	(42,528)
Foreign exchange loss		(443,995)	(78,523)
Other income		-	10,460
Total operating profit / (loss)		1,622,562	(58,568)
Operating expenses and other charges			
Staff costs		(518,719)	(508,282)
Depreciation		(49,953)	(49,082)
Finance costs		(5,296)	(694,811)
Other expenses	21	(140,532)	(2,104,436)
Total operating expenses and other charges		(714,500)	(3,356,611)
Profit / (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and BOD remuneration		908,062	(3,415,179)
KFAS		-	-
Zakat		-	-
BOD remuneration	19	(10,000)	-
Net profit / (loss) for the year from continuing operations		898,062	(3,415,179)
Discontinued operations			
Loss from discontinued operations	13	(39,724)	(12,195,049)
Net profit / (loss) for the year		858,338	(15,610,228)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity securities at fair value through other comprehensive income		1,731	7,597
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(68,188)	43,558
Change in fair value of Sukuk at fair value through other comprehensive income		12,342	-
		(55,846)	43,558
Other comprehensive (loss) / income for the year		(54,115)	51,155
Total comprehensive income / (loss) for the year		804,223	(15,559,073)
Basic and diluted profit / (loss) per share (fils)	22	5.72	(104.07)

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

HAYAT INVEST

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2020	15,000,000	6,495,552	6,495,552	5,061,526	(820)	19,397,474	52,449,284
Total comprehensive loss for the year							
Net loss for the year	-	-	-	-	-	(15,610,228)	(15,610,228)
Other comprehensive income for the year	-	-	-	43,558	7,597	-	51,155
Total comprehensive loss for the year	-	-	-	43,558	7,597	(15,610,228)	(15,559,073)
Balance at 31 December 2020	15,000,000	6,495,552	6,495,552	5,105,084	6,777	3,787,246	36,890,211
Balance at 1 January 2021	15,000,000	6,495,552	6,495,552	5,105,084	6,777	3,787,246	36,890,211
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	858,338	858,338
Other comprehensive loss for the year	-	-	-	(68,188)	14,073	-	(54,115)
Total comprehensive income for the year	-	-	-	(68,188)	14,073	858,338	804,223
Transfer from voluntary reserve (note 17)	-	-	(2,500,000)	-	-	2,500,000	-
Dividends (note 18)	-	-	-	-	-	(6,000,000)	(6,000,000)
Transfer to reserves	-	86,834	86,834	-	-	(173,668)	-
Balance at 31 December 2021	15,000,000	6,582,386	4,082,386	5,036,896	20,850	971,916	31,694,434

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

Consolidated statement of cash flows
for the year ended 31 December 2021

	Note	2021 KD	2020 KD
Cash flows from operating activities			
Net profit / (loss) for the year		858,338	(15,610,228)
Adjustments for:			
Depreciation		49,953	49,082
Share of (profit) / loss of equity-accounted investees	*11*	(966,341)	12,237,577
Net investment income	*20*	(1,057,378)	(49,255)
Finance costs		5,296	694,811
Provision for employees' end of service indemnity		75,463	99,353
Rent concession included in other income		-	(10,460)
		(1,072,415)	(2,589,120)
Changes in:			
Other assets		48	2,972,120
Other liabilities		2,738	587,867
Cash flows (used in) / from operations		(1,031,883)	970,867
Payment of employees' end of service indemnity		-	-
Net cash flows (used in) / from operating activities		(1,031,883)	970,867
Cash flows from investing activities			
Change in time deposits		-	281,969
Profit from time deposits received		128,971	-
Additions to property and equipment		(21,808)	-
Additions to investment property	*10*	-	(45,545)
Financing receivables	*9*	(5,663,741)	(121,462)
Proceeds from financing receivables	*9*	60,041	-
Financial asset at fair value through other comprehensive income		(3,025,000)	-
Financial asset at fair value through profit or loss		(14,332,737)	(1,239,730)
Proceeds from redemption of financial assets at fair value through profit or loss	*8*	210,002	-
Proceeds from sale of financial assets at fair value through profit or loss	*8*	2,234,403	-
Proceeds from financial asset at fair value through other comprehensive income		59,415	-
Dividends received		177,165	44,361,352
Net cash flows (used in) / from investing activities		(20,173,289)	43,236,584
Cash flows from financing activities			
Repayment of Islamic finance payables		-	(15,134,260)
Payment of lease liabilities		(55,776)	(45,318)
Dividends paid	*18*	(6,000,000)	-
Net cash flows used in financing activities		(6,055,776)	(15,179,578)
Net change in cash and cash equivalents		(27,260,948)	29,027,873
Cash and cash equivalents at 1 January		29,483,883	456,010
Cash and cash equivalents at 31 December	*6*	2,222,935	29,483,883

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

1. Reporting entity

Hayat Invest Company K.S.C. (Closed) ("the Company") is a closed Kuwaiti shareholding company incorporated in the State of Kuwait on 21 December 2008. The Company was registered as an investment company with the Central Bank of Kuwait ("the CBK") on 17 February 2009 and is regulated by the Capital Markets Authority under Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities, as amended, and its Executive Regulations.

The Company was registered with the commercial register of the Ministry of Commerce and Industry on 30 December 2008 under registration number 330034.

The registered address of the Company is Al Jon Tower – 11th & 12th floors, Fahad Al Salem Street, State of Kuwait.

The Company is primarily engaged in investment activities and carries its operations as per the Articles of Association and Memorandum of Incorporation and guidelines of noble Islamic Shari'a. The objectives of the Company are as follows:

- Investment in the commercial, real estate, industrial, agricultural, services sectors through participation in new ventures, equities or sukuks in these companies;
- Manage assets for institutions, private and public investment authorities, individuals and invest these assets in various sectors through equities funds and real estate;
- Prepare feasibility studies, valuation and due diligence reports as well as private placement memorandums;
- Act as intermediary in Shari'a compliance transactions;
- Act as the placement manager to equity, fund and sukuk issued by investment authorities both public and private;
- Act as intermediary in foreign commercial transactions;
- Provide intermediation in finance activities whether for local or international clients, across various sectors, in accordance to rules and regulations of the CBK and in accordance to Islamic Shari'a principles;
- Deal and trade in foreign exchange, commodities, industrial metals and other assets in local and international markets;
- Carry out all types of transactions relating to trade and custody of securities including sale and purchase of securities and sukuk issued by companies and institutions, public and private, locally and domestically;
- Acquire industrial property rights, patents, trademarks, trade drawings, intellectual property rights and leasing of such rights to third parties;
- Manage portfolios, investments and seek capital growth through commercial transaction for its own accounts and for its clients in accordance with the governing laws;
- Invest the Company's assets in various asset classes as approved by the CBK, primarily in Islamic finance;
- Promote investment funds for itself and for other parties and offer these funds for placements as well as acting as the investment trustee or manager for these funds both locally and internationally, in accordance with the rules and regulations in place; and
- Carry out any other activity to develop and support the financial and money market in the State of Kuwait.

The consolidated financial statements comprise of Hayat Invest Company K.S.C. (Closed) and its subsidiary (together referred to as "the Group" and individually as "Group entity") and the Group's interest in jointly controlled entities.

Details of the Group entity and the jointly controlled entities as at 31 December are as follows:

Name of the company	Country of incorporation	Ownership interest		Principal activities
		2021	2020	
Jointly controlled entities				
Hayat Real Estate Investment Company L.L.C. *	Saudi Arabia	50%	50%	Real Estate
Hayat Villas Company L.L.C.	Saudi Arabia	50%	50%	Real Estate
Subsidiary				
Hayat Construction SAL	Lebanon	100%	100%	Construction

* Classified as assets held for sale during the year ended 31 December 2021 (note 13).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 27 March 2022 and are subject to the approval of the Annual General Assembly of the shareholders, which has the power to amend these consolidated financial statements after issuance.

On 25 April 2021, the Annual General Assembly of the shareholders approved the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020.

2. Basis of preparation

a) Basis of accounting

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below.

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 financial institutions regulated by the CBK to adopt the IFRS, as issued by International Accounting Standards Board ("IASB"), with the following amendments:

(i) Expected credit loss ("ECL") to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by the CBK instructions along with its consequent impact on related disclosures.

The above framework is hereinafter referred to as 'IFRS as adopted by the CBK for use by the State of Kuwait'.

In addition, the consolidated financial statements also comply with the relevant provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Articles of Association and Memorandum of Incorporation and Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost or amortised cost basis, except for financial assets at fair value through other comprehensive income and investment property and financial assets at fair value through profit or loss.

Disposal group held for sale are measured at lower of carrying amount or fair value less costs to sell.

c) Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Group.

d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 4 (i) – Impairment.

3. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing these consolidated financial statements:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;

The Group does not expect to have a significant impact on the consolidated financial statements in the period of initial application.

4. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these annual consolidated financial statements.

a) Basis of consolidation

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in the consolidated statement of profit or loss and other comprehensive income.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Loss of control
On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the consolidated statement of profit or loss and other comprehensive income.

If the Group retains any interest in the previously owned subsidiary, then such interest is measured at fair value at the date the control is lost. The difference between the carrying amount and the fair value of remaining investment retained in the former subsidiary is recognized in the consolidated statement of profit or loss and other comprehensive income. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investment in equity-accounted investees
The Group's interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investee, until the date on which joint control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks balances and time deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

c) Investment property

Investment property is property, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property under construction is recognized initially at cost and remeasured subsequently at fair value. Changes in fair value is recognized in the consolidated statement of profit or loss and other comprehensive income. Changes in the carrying amount of investment property under construction in any given period will include additions recognized at cost and changes in the fair value of the property.

d) Other assets

(i) Intangible assets

Recognition and measurement
Intangible assets represent computer software licenses. Software licenses acquired by the Group are stated at cost less accumulated amortization and any accumulated impairment losses (note 4(i)).

Subsequent expenditure
Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in consolidated statement of profit or loss and other comprehensive income as incurred.

Amortization
Amortization is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the software licenses from the date they are available for use. The estimated useful life of computer software licenses is three years.

(ii) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (note 4(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised on a net basis within other income in the consolidated statement of profit or loss and other comprehensive income.

Depreciation
Items of property and equipment are depreciated from the date they are ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using a straight-line basis over their estimated useful lives.

Depreciation is recognized in the consolidated statement of profit or loss and other comprehensive income. The estimated useful lives of significant items of property and equipment are as follows:

	Years
Office furniture and decorations	5 years
Office equipment	5 years
Computers	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the period of change with no retrospective effect.

(iii) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

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). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. 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.

Significant judgement in determining the lease term of contracts with renewal options
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 applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 (e.g., a change in business strategy).

e) <u>Other liabilities</u>

Other liabilities are stated at amortized cost.

f) Revenue recognition

Islamic finance income
Income from wakala contracts is recognized on a time proportion basis, taking into account the principal amount outstanding and the applicable rates of expected profit using the effective profit rate method.

Fees and commission income
Fees and commission income represent asset management fees earned by the Group on fiduciary activities. Fees and commission income are recognized on an accrual basis.

Dividend income
Dividend income is recognized when the right to receive the dividend is established.

g) Financial instruments

i. Classification and measurement of financial assets
Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the consolidated statement of profit or loss and other comprehensive income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income ("FVOCI"); or
- Financial assets carried at fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the Group's business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets carried at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective profit rate method. The amortised cost is reduced by impairment losses.

Profit income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit of loss and other comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of profit of loss and other comprehensive income.

(a)Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- Stated policies and objectives for the financial assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, matching the duration of the financial assets to the duration of the expected cash outflows or realising cash flows through the sale/derecognition of assets;
- How the performance of the financial assets is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

(b)The SPPP test
For the purpose of this assessment, principal is defined as the fair value of the financial asset at initial recognition. Profit is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contain a contractual term that could change in the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and profit criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Cash at banks, financing receivables and other assets are classified as financial assets carried at amortised cost.

Financial assets carried at fair value through other comprehensive income
Upon initial recognition, the Group makes an irrevocable election to classify its equity investments as equity investments at FVOCI if they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair value including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair value as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on de-recognition and are not recognized in the consolidated statement of profit or loss and other comprehensive income.

Dividend income on equity investments at FVOCI is recognized in the consolidated statement of profit or loss and other comprehensive income unless it clearly represents a recovery of part of the cost of the investment in which case it is recognized in other comprehensive income.

Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Profit income calculated using the effective profit rate method, foreign exchange gains or losses and impairment are recognised on in consolidated statement of profit or loss and other comprehensive income. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are classified to consolidated statement of profit or loss and other comprehensive income.

Financial assets carried at fair value through profit or loss
Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payments of principal and profit are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss and other comprehensive income when the right to the payment has been established.

ii. Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any profit expense, are recognised in consolidated statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective profit rate method.

Profit expense and foreign exchange gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in consolidated statement of profit or loss and other comprehensive income.

iii. Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement profit or loss and other comprehensive income.

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

v. Impairment of financial assets

Expected Credit Losses ("ECL")
The Group applies the expected credit loss model to cash at banks, receivables and financial asset at amortised cost.

The Group applies a three-stage approach to measuring expected credit loss:

Stage 1: 12 months ECL
For exposures where there has been no significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of loans and advances by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECL
ECL is probability weighted estimates of credit loss and are measured as the present value of all cash shortfalls discounted at the effective profit 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")

ECL for financial assets in Stage 1 is calculated by multiplying the 12 months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD is derived mainly through collecting performance and default information about credit risk exposures in credit risk grades. LGD is the magnitude of the likely loss if there is a default, based on the history of recovery rates of claims against defaulted counter parties considering structure and counter party industry. EAD of a financial asset is its gross carrying value at the time of default.

h) <u>Assets held for sale</u>

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 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.

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 consolidated 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.

i) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Foreign currency

Foreign currency translation
Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to KD at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to KD at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations
The assets and liabilities of foreign operations are translated into KD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into KD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

When a foreign operation is disposed of in its entirety or partially such that control, is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

k) Employees' benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

Pensions and other social benefits for Kuwaiti employees are covered by The Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme, is charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

l) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) Fiduciary assets

Assets held in a trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements.

5. Determination of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Equity securities
The Group measures the fair value of equity securities using the quoted price in an active market at the reporting date, or if unquoted, the Group uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Other non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the reporting date.

6. Cash and cash equivalents

	2021 KD	2020 KD
Cash on hand	523	493
Cash at banks	722,412	93,564
Term deposits with original maturities of less than three months	1,500,000	29,389,826
	2,222,935	29,483,883

Term deposits represent deposits with local financial institutions with an effective profit rate of 1.20% per annum (2020: 2.04% per annum).

7. Financial assets at fair value through other comprehensive income

	2021 KD	2020 KD
Foreign unquoted equity security	98,642	96,911
Sukuk	3,067,214	-
	3,165,856	96,911

Sukuk represents investment in Sukuk issued by Boubyan Bank K.S.C.P. and it is listed in Euronext Dublin. The tenor of the Sukuk is perpetual and callable after six years of issuance with profit rate 3.95% paid on a semiannual basis and the maturity date is 1 April 2027. The Group intends to hold the asset to collect contractual cash flows and sell and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

8. Financial assets at fair value through profit or loss

	2021 KD	2020 KD
Local fund	1,054,125	1,249,164
Foreign funds	10,020,488	-
Foreign quoted securities	2,987,266	-
	14,061,879	1,249,164

Local fund represents an investment in Boubyan KD Money Market Fund II. The fair value of this investment was determined based on net asset value reported by the fund manager. During the year ended 31 December 2021, the Group redeemed 192,801 units with a carrying value of KD 209,089 for total amount of KD 210,002, resulting in a gain from redemption of KD 913 (2020: the Group redeemed 369,918 units with a carrying value of KD 398,657 for total amount of KD 400,271, resulting in a gain from redemption of KD 1,614) recognized to the consolidated statement of profit or loss and other comprehensive income.

Foreign funds represent investment in iShares MSCI EM Islamic UCITS Fund and iShares MSCI World Islamic UCITS Fund. Both funds are listed on the London Stock Exchange.

Foreign quoted securities represent investments in equity securities listed on the New York Stock Exchange ("NYSE"), The National Association of Securities Dealers Automated Quotations ("NASDAQ") and European Stock Exchange ("EURONEXT").

During the year ended 31 December 2021, the Group sold foreign quoted equity securities with carrying amount of KD 2,002,777 for an amount of KD 2,234,403 resulting in gain from sale of financial assets at fair value through profit losses with an amount of KD 231,626 (2020: nil).

Further, the Group recognized an amount of KD 691,844 (2020: KD 7,820) as unrealized gain from change in fair value of the financial assets at fair value through profit or loss.

9. Financing receivables

	2021 KD	2020 KD
Wakala with a related party	121,161	121,462
Murabaha	5,658,919	-
	5,780,080	121,462
Add: Accrued profit	159,806	2,579
Less: provision for expected credit losses	(432,416)	(6,132)
	5,507,470	117,909

i. On 10 May 2021, the Company (as a seller) entered into first Master Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 16,250,000 (equivalent to KD 5,571,621). On the same date, the Company entered into a pledge agreement with HOCHE Partners Securitization Management S.a.r.L. ("HOCHE") and the purpose of the pledge agreement is for HOCHE to grant the Group financial collateral over all shares owned by the HOCHE in Hayat General Partners S.a.r.L. and its partnership interest in Hayat Invest SCS to secure the payment to be made by the purchaser of the Master Murabaha agreement.

On 7 June 2021, both the purchaser and the seller entered into the first purchase contract based on which the seller sold the commodities agreed with total amount of Euro 16,250,000 (equivalent to KD 5,571,621) which resulted in profit of Euro 304,688 (equivalent to KD 106,925) recognized to the consolidated statement of profit or loss.

On 30 September 2021, both parties entered into the second purchase contract with total amount of Euro 16,174,609 (equivalent to KD 5,545,772) which resulted in profit of Euro 303,274 (equivalent to KD 106,429) recognized to the consolidated statement of profit or loss.

On 31 December 2021, both parties entered into the third purchase contract with an amount of Euro 15,522,191 (equivalent to KD 5,322,078) which resulted in profit of Euro 3,234 (equivalent to KD 1,135) recognized to the consolidated statement of profit or loss.

ii. On 20 December 2021, the Company (as a seller) entered into another Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 330,000 (equivalent to KD 113,147).

On the same day, both parties entered into the first purchase contract based on which the seller sold the commodities agreed with total amount of Euro 330,000 (equivalent to KD 113,147) which resulted in profit of Euro 1,076 (equivalent to KD 377) recognized to the consolidated statement of profit or loss.

On 31 December 2021, both parties entered into the second purchase contract based on which the seller sold the commodities agreed with total amount of Euro 330,000 (equivalent to KD 113,147 which resulted in profit of Euro 69 (equivalent to KD 24) recognized to the consolidated statement of profit or loss.

The Group intends to hold the assets to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

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

	Stage 1 KD
Balance at 1 January 2021	6,132
Charge during the year	435,073
Foreign currency revaluation difference	(8,789)
Balance at 31 December 2021	432,416

The expected credit losses for the year calculated as per IFRS 9 according to the CBK guidelines as at 31 December 2021 amounted to KD 432,416 (2020: KD 6,132), which is higher than the provisions computed as required by the CBK guidelines amounting to KD 57,801 (2020: KD 1,240).

10. Investment property

	2021 KD	**2020 KD**
Balance at 1 January	3,673,109	3,592,788
Additions to investment property	-	45,545
Change in fair value of investment property (note 20)	(9,292)	34,776
Carrying amount at 31 December	3,663,817	3,673,109

The fair value of investment property is determined based on valuation performed as at 31 December 2021 and 2020 by accredited independent valuer, who is the industry specialist in valuing this type of investment property.

The fair value measurement for investment properties has been categorised under Level 3 based on the inputs to the valuation techniques used. For the purpose of measuring fair value, the replacement principle has been used by the valuer which reflects the current market expectations about the future estimated replacement cost in the country in which the investment property is located.

11. Equity-accounted investees

The Group has equity interest in two joint ventures, both of which are equity accounted.

	Hayat Real Estate Investment Company L.L.C.	Hayat Villas Company L.L.C.
Principal activities	Real estate	Real estate
Ownership	50%	50%
Principal place of business and country of incorporation	Saudi Arabia	Saudi Arabia

In accordance with the agreement under which Hayat Real Estate Investment Company L.L.C. and Hayat Villas Company L.L.C. are established, the Group and the other investor in the joint venture have agreed to make 50% contribution each and to undertake any decisions jointly.

On 2 September 2021, the Group approved to liquidate its joint venture Hayat Real Estate Investment Company L.L.C. Accordingly, Hayat Real Estate Investment Company L.L.C. was re-classified as assets held for sale as at 31 December 2021 (note 13).

The following table summarizes the financial information of Hayat Real Estate Investment Company L.L.C. and Hayat Villas Company L.L.C. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Hayat Real Estate Investment Company L.L.C. and Hayat Villas Company L.L.C.

	Hayat Real Estate Investment Company L.L.C.		Hayat Villas Company L.L.C.	
	2021 KD	2020 KD	2021 KD	2020 KD
Current assets	-	4,436,959	12,322,563	10,196,268
Non-current liabilities	-	-	(3,065,022)	(3,198,765)
Current liabilities	-	(2,220,035)	(1,716,474)	(1,826,597)
Net assets	-	2,216,924	7,541,067	5,170,906
Group's share of net assets	-	1,108,462	3,770,534	2,585,453
Carrying amount of interest in joint venture	-	1,108,462	3,770,534	2,585,453
Revenue	-	15,688,086	3,484,599	3,102,792
Operating expenses	-	(6,217,648)	(1,472,469)	(3,187,848)
Loss on sale of investment property	-	(33,860,536)	-	-
Total comprehensive (loss) / income	-	(24,390,098)	2,012,130	(85,056)
Group's share of total comprehensive (loss) / income	-	(12,195,049)	1,006,065	(42,528)
Movement in Group's share of interest in net assets of equity-accounted investees				
Carrying amount at 1 January	-	57,623,078	2,585,453	2,626,247
Group's share of total comprehensive (loss) / income	-	(12,195,049)	1,006,065	(42,528)
Foreign exchange impact	-	41,785	179,015	1,734
Dividends	-	(44,361,352)	-	-
Carrying amount at 31 December	-	1,108,462	3,770,533	2,585,453

12. Other assets

	2021 KD	2020 KD
Prepayments	18,876	16,499
Receivables	18,878	23,805
Right-of-use assets	48,999	97,997
Property and equipment	23,164	1,061
	109,917	139,362

13. Assets held for sale

On 2 September 2021, the Group approved to liquidate its joint venture Hayat Real Estate Investment Company L.L.C, and appointed a liquidator, Accordingly, the joint venture is carried at lower of carrying value or fair value less cost to sale in accordance with the requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations.*

Assets and liabilities of the joint venture classified as held for sale as at 31 December 2021 are, as follows:

	KD
Assets	
Cash and cash equivalents	1,693,983
Other receivables	884
Total assets	1,694,867
Liabilities	
Other liabilities	(51,798)
Total liabilities	(51,798)
Net assets directly associated with investment	1,643,069
Group's share of net assets directly associated with investment	821,535

The results of discontinued operations recognized in the consolidated statement of profit or loss are as follows:

	2021 KD	2020 KD
Revenue	131,715	15,688,086
Operating expenses	(211,163)	(6,217,648)
Loss on sale of investment property	-	(33,860,536)
Total comprehensive loss from discontinued operations	(79,448)	(24,390,098)
Group's share of total comprehensive loss from discontinued operations	(39,724)	(12,195,049)

Cash flows from (used in) / from discontinued operations:

	2021 KD	2020 KD
Cash flows (used in) / from operating activities	(286,927)	12,237,577
Cash flows from investing activities	-	44,361,352
	(286,927)	56,598,929

14. Other liabilities

	2021 KD	2020 KD
Zakat payable	9,027	9,027
KFAS payable	7,557	7,557
Provision for staff employment benefits	877,665	823,685
Other payables	735,259	723,773
	1,629,508	1,564,042

15. Share capital

As at 31 December 2021 and 2020, the Company's authorized, issued and fully paid up share capital in cash amounts to KD 15,000,000 comprising of 150,000,000 shares of 100 fils each. All shares were paid in cash.

16. Statutory reserve

In accordance with the Companies Law No.1 of 2016, as amended, and the Company's Articles of Association, 10% of the net profit for the year before contribution to KFAS, Zakat and Directors' remuneration is required transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

The Company transferred KD 86,834 to the statutory reserve for the year ended 31 December 2021 (2020: nil).

17. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the net profit for the year is transferred to the voluntary reserve based on a resolution of the shareholders upon the management recommendation.

The Company transferred of KD 86,834 to the voluntary reserve for the year ended 31 December 2021 (2020: nil).

At the Annual General Meeting held on 25 April 2021, the shareholders of the Company approved to transfer an amount of KD 2,500,000 from voluntary reserve to retained earnings.

18. Dividend

At the Annual General Assembly held on 25 April 2021, the shareholders of the Company approved cash dividend of 40 fils per share amounting to KD 6,000,000 (2020: nil).

19. Related party transactions

Related parties represent major shareholders, Directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

i) *Consolidated statement of financial position*

	2021 KD	2020 KD
Due from related parties		
Jointly controlled entities		
Wakala with a related party (note 9)	123,734	117,909
Bank balances	699,393	81,526
Financial asset at fair value through other comprehensive income (note 7)	3,067,214	-
Financial asset at fair value through profit or loss (note 8)	1,054,125	1,249,164
Key management personnel		
Other liabilities	520,464	485,848

ii) *Consolidated statement of statement of profit and loss and other comprehensive income*

	2021 KD	2020 KD
Shareholders		
Finance costs	-	686,347
Profit from time deposits	-	5,980
Gain on redemption of financial asset carried at fair value through profit or loss	913	1,614
Change in fair value of financial asset carried at fair value through profit or loss	14,050	7,820
Realized profit from financial asset carried at fair value through other comprehensive income	59,415	-
Unrealized profit from financial asset carried at fair value through other comprehensive income	29,872	-
Jointly controlled entities		
Profit from Wakala with a related party	6,035	2,597
Provision for expected credit losses	-	6,132

Compensation to key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

Significant transactions with key management personnel during the year represent salaries, allowances and other benefits amounting to KD 185,800 (2020: KD 184,820).

At the Annual General Assembly for the year ended 31 December 2020 held on 25 April 2021, the shareholders of the Company approved an amount of KD 10,000 as Board of Directors remuneration (2019: nil).

20. Net investment income

	2021 KD	2020 KD
Change in fair value of investment property (note 10)	(9,292)	34,776
Profit from time deposits	127,604	8,580
Gain on sale financial assets at fair value through profit or loss (note 8)	231,626	-
Gain on redemption of financial asset carried at fair value through profit or loss (note 8)	913	1,614
Change in fair value of financial asset carried at fair value through profit or loss (note 8)	691,844	7,820
Dividends from financial assets at fair value through profit or loss	177,281	-
Profit from wakala with a related party	6,035	2,597
Realized profit from financial asset carried at fair value through other comprehensive income	59,415	-
Unrealized profit from financial asset carried at fair value through other comprehensive income	29,872	-
Provisions for expected credit losses (note 9)	(435,073)	(6,132)
Profit from Murabaha (note 9)	214,890	-
Investment costs	(37,737)	-
	1,057,378	49,255

21. Other expenses

	2021 KD	2020 KD
Professional fees	46,200	44,026
Travel expenses	10,647	23,419
Fees and subscription	20,212	2,978
Withholding tax	-	1,395,196
Others	63,473	638,817
	140,532	2,104,436

22. Basic and diluted loss per share

	2021 KD	2020 KD
Profit / (loss) for the year (KD)	858,338	(15,610,228)
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted profit / (loss) per share (fils)	5.72	(104.07)

23. Kuwait Foundation for Advancement of Sciences ("KFAS")

Contribution towards KFAS is computed at 1% of the net profit for the year after deducting transfers made to statutory reserve.

24. Zakat

Contribution towards Zakat is computed at 1% of the net profit for the year after deducting the transfers made to statutory reserve and contribution made towards KFAS.

25. Fiduciary assets

Fiduciary assets comprise investments managed by the Group on behalf of clients. These are not assets of the Group and accordingly are not included in the consolidated financial statements.

As at the reporting date, total fiduciary assets managed by the Group amounted to KD 4,666,899 (2020: KD 2,794,260). The fees and commission earned on fiduciary assets amounted to KD 3,114 (2020: KD 2,768) recognized to the consolidated statement of profit or loss and other comprehensive income.

26. Fair value measurement

The fair value of financial instruments traded in active markets (such as trading and financial assets at fair value through other comprehensive income) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

The table below analyses the assets carried at fair value. The different levels have been defined as follows:

- *Level 1:* fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2:* fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3:* fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy
The table below analyses financial assets carried at fair value.

31 December 2021	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial asset at fair value through other comprehensive income	3,067,214	-	98,642	3,165,856
Financial asset at fair value through profit or loss	13,007,754	1,054,125	-	14,061,879
	16,074,968	1,054,125	98,642	17,227,735

31 December 2020	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial asset at fair value through other comprehensive income	-	-	96,911	96,911
Financial asset at fair value through profit or loss	-	1,249,164	-	1,249,164
	-	1,249,164	96,911	1,346,075

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

	KD
Balance at 1 January 2020	89,314
Change in fair value	7,597
Balance at 31 December 2020	96,911
Change in fair value	1,731
Balance at 31 December 2021	98,642

Description of significant unobservable inputs to valuation:

	Amount in KD	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*	*Sensitivity of the input to fair value*
Foreign unquoted equity security	98,642	Discounted cash flow method	Weighted Average Cost of Capital (WACC)	8.2%-9.2%	0.5% movement in WACC would result in an increase or decrease in fair value by KD 493.

The table below analyses investment property carried at fair value.

31 December 2021	**Level 3 KD**	**Total KD**
Investment property	3,663,817	3,663,817

31 December 2020	**Level 3 KD**	**Total KD**
Investment property	3,673,109	3,673,109

The following table shows a reconciliation of the beginning and closing balances of Level 3 investment properties which are recorded at fair value:

	KD
Balance at 1 January 2020	3,592,788
Additions during the year	45,545
Change in fair value	34,776
Balance at 31 December 2020	3,673,109
Change in fair value	(9,292)
Balance at 31 December 2021	3,663,817

27. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from balances with banks and Islamic finance receivables.

The Group limits its exposure to credit risk by only placing funds with counterparties that have high credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Credit quality analysis

The carrying amounts of financial assets represent the maximum credit exposure.

	2021 KD	2020 KD
Cash and cash equivalents	2,222,412	29,483,390
Financing receivables	5,507,470	117,909
Other assets (excluding prepayments, property and equipment and right-of-use assets)	18,878	23,805
	7,748,760	29,625,104

The maximum exposure to credit risk for balances with banks and Islamic finance receivables at the reporting date by sector and geographic region is as follows:

2021	Balances with banks KD	Balances with other parties KD	Total KD
Carrying amounts	2,222,412	5,507,470	7,729,882
Concentration by sector			
Government	5,000	-	5,000
Banks	2,217,412	-	2,217,412
Real estate	-	5,507,470	5,507,470
	2,222,412	5,507,470	7,729,882
Concentration by location			
GCC	2,208,002	123,734	2,331,736
Others	14,410	5,383,736	5,398,146
	2,222,412	5,507,470	7,729,882

2020	Balances with banks KD	Balances with other parties KD	Total KD
Carrying amounts	29,483,390	117,909	29,601,299
Concentration by sector			
Government	5,000	-	5,000
Banks	29,478,390	-	29,478,390
Real estate	-	117,909	117,909
	29,483,390	117,909	29,601,299
Concentration by location			
GCC	29,475,090	117,909	29,592,999
Others	8,300	-	8,300
	29,483,390	117,909	29,601,299

Balances with banks
Bank balances and time deposits are held with bank and financial institution counterparties, which are highly rated. Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The 12-month ECL computed on the bank balances and term deposits are insignificant. Hence, no provision for ECL on bank balances are recognized.

Balances with other parties
Balances with other parties of the Group consist of receivables from related parties. The related parties are with high credit rating and reputed in the market. Impairment on the due from a related party have been measured on the basis of lifetime expected credit losses. The Group considers that these have low credit risk based on historical experiences, available press information and experienced credit judgment. As on 31 December 2021, these are neither impaired nor due. Based on the assessment performed by the Group, a provision for ECL of KD 435,073 (2020: KD 6,132) on those balances were recognized in the consolidated statement of profit or loss and other comprehensive income.

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and bank facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the reporting date, the contractual maturities of financial liabilities fall within one year and non-current portion of lease liabilities.

c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and profit rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

Profit rate risk
Profit rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market profit rates.

Financial instruments which potentially subject the Group to profit rate risk consist principally of Islamic finance payables. As at 31 December 2021, the Group's did not hold Islamic finance payables and hence, any fluctuation in the profit rate would not have an impact.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures.

Currency exposure arising from this managed primarily through purchasing in the relevant currency and maintaining bank accounts in the relevant currency.

The Group is exposed to currency risk on investments at jointly controlled entities, investment at fair value through other comprehensive income, bank accounts and payables denominated in currencies other than Kuwaiti Dinar.

Exposure to currency risk
As at reporting date, the Group has the following significant net position exposures determined in foreign currencies:

	KD	Change in currency rate in %	Effect on profit / (loss) KD
2021			
USD	15,444,149	10	1,544,415
SAR	(474,455)	10	(47,446)
EUR	5,980,607	10	598,061
GBP	90,945	10	9,095
CHF	116,572	10	11,657
2020			
USD	9,884	10	988
SAR	117,909	10	11,791

A 10% weakening of KD against the above currencies at 31 December would have an equal but opposite effect, on the basis that all variables remain constant.

28. Capital commitments

During the year, the Group did not enter into any contracts that may result in capital commitments either from investment property that is under construction or from its interest in joint venture (2020: nil).

29. Capital management

The management's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on capital through operating cash flow management. The management seeks to maintain a balance between higher returns and the advantages and security offered by a sound capital position. The Group is not subject to externally imposed capital requirements, except the minimum capital requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.

30. Subsequent events

Subsequent to the reporting date, there has been no significant reduction in the fair value of the financial asset at fair value through profit or loss.