



BAHTCO HOLDING ANNUAL REPORT AND ACCOUNTS 2021

Foreword

This report has been prepared in accordance with local laws and regulatory requirements. Our website, www.bahtcoholding.com offers access to the latest reports and investor presentations. Simplicity has been a key focus in developing this report.

Additionally, this report includes comprehensive disclosures on our Corporate Social Responsibility activities and engagements.

Reminder

Our financial statements are presented in Kuwaiti Dinars (KD). Unless otherwise specified, all figures in this report pertain to the Group.

The Company's registered office is located at Al-Othman Centre, Block 169, Building 15, Office 21, Hawally, State of Kuwait

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Chairman's Statement

In the name of Allah most gracious, most merciful

Bahtco Holding has had another successful year, demonstrating remarkable resilience and adaptability while continuing to deliver strong value for our shareholders. Despite the broader global challenges affecting many businesses, I remain highly optimistic about the future of this exceptional company.

Over the past year, we have focused on building upon our success and refining our strategy to meet industry demands, which are projected to double over the next two decades. Our dedicated team and the solid foundations established in previous years have been central to our continued achievements.

I am pleased to share that this year's results mark a significant milestone for Bahtco Holding. These achievements come despite facing considerable challenges, including economic divergence in advanced economies, tightening financial conditions amid slower growth in countries such as China, volatility in oil prices due to market imbalances, and evolving political landscapes in the US and Europe—all of which pose potential obstacles to growth.

While we take great pride in our results and operational successes, we remain vigilant. The coming year is expected to bring new challenges, but I am confident that we are well-positioned to navigate them from a position of strength.

Our Core Principles and Values

Bahtco Holding is committed to seizing both local and international investment opportunities by proactively responding to market demands and evolving industry trends. We prioritize transparent communication, ensuring continuous engagement with our clients and treating each as a valued individual while maintaining full transparency in all interactions.

We foster strategic collaborations by building strong partnerships with local and global companies and institutions, executing key investment projects with professionalism to achieve shared goals and mutual benefits. Our approach is deeply rooted in ethical investment practices, aligning our activities with socially responsible investments and sustainable principles.

Additionally, we maintain a client-centric focus, tailoring our services to meet the specific needs and aspirations of our

investors. By providing ongoing education and valuable resources, we empower our clients to make well-informed investment decisions, reinforcing our commitment to long-term success and growth.

Our Community

This year, we are proud to continue our strong commitment to the community. As part of our wide range of initiatives (outlined in our CSR), we have provided seed funding, mentorship, and advisory services to local entrepreneurs and small businesses, especially those focused on sustainable development, technology, and industries that align with our core values. Additionally, we encourage our employees to dedicate their time and expertise to support non-profits and local community initiatives. To support this, the company offers paid time off for volunteering and organizes company-wide volunteer days. Through these efforts, Bahtco reaffirms its commitment to creating a positive social and environmental impact while strengthening its reputation as a responsible and forward-thinking organization.

Our Performance

Despite economic challenges, our company achieved an impressive 26.2% revenue growth, reaching KD 99.1 million (2020:

KD 78,531,403) driven by strategic investments in real estate, technology, renewable energy, sector-specific funds, and alternative assets. Net income surged by 34.6% to KD 79.3 million (2020: KD 58.9 million) reflecting our strong financial performance and commitment to shareholder value.

Our focus on operational efficiency and cost management resulted in a 60% operating margin, while leveraging advanced technology reduced operational costs by 21.33%. This strategic balance of efficiency and investment continues to drive profitability and position us for sustained success.

Looking forward

2022 presents a whole set of new challenges for Bahtco Holding, driven by changing market dynamics. We shall continue to operate from a position of strength, to capitalize on opportunities across the industry. I have no doubt and equally confident that with the wealth of experience and skills we possess, and the dedication of our people we will come through the challenges stronger and better. I retain a strong conviction of the skills, commitment and experiences of my colleagues to adapt and deliver for our customers and our

shareholders, irrespective of the challenges that we may face.

Mousa Abdul Hussein Bahman

(Chairman)

January 12, 2022

Chief Investment Officer's Report

In the name of Allah most gracious, most merciful

Introduction

The year 2021 marked a significant period of growth and transformation for Bahtco Holding. Despite global economic fluctuations and market uncertainties, we achieved remarkable financial success, increasing our annual revenue from KD 78.5 million in 2020 to KD 99.1 million in 2021. This 26.2% growth underscores the resilience of our investment strategies, our ability to capitalize on emerging market opportunities, and our commitment to delivering value to our stakeholders.

Market Overview

Throughout 2021, the global investment landscape witnessed both challenges and opportunities. The ongoing recovery from the COVID-19 pandemic, fluctuating oil prices, and evolving monetary policies

impacted financial markets. However, Bahtco Holding leveraged its diversified portfolio and strategic asset allocation to mitigate risks and enhance returns. The Kuwaiti economy demonstrated resilience, with key sectors such as real estate, technology, and financial services showing positive momentum, which we effectively capitalized on.

Investment Performance and Strategy

Our strong financial performance in 2021 was driven by several key investment strategies:

- **Diversification:** Expanding our portfolio across multiple sectors, including real estate, energy, fintech, and private equity, helped stabilize returns and reduce sector-specific risks.
- **Strategic Acquisitions:** We made several high-value acquisitions in real estate and financial technology, strengthening our market position and revenue streams.
- **Asset Optimization:** A focus on maximizing returns from existing assets through restructuring and operational efficiency initiatives contributed to improved profitability.
- **Sustainable Investments:** Our commitment to ESG (Environmental, Social, and Governance) principles

led us to increase investments in green energy and sustainable infrastructure projects.

Sectoral Performance

- **Real Estate:** Our real estate division experienced significant growth, fueled by strategic acquisitions in high-yield properties and a resurgence in commercial property demand.
- **Financial Services:** Our investments in fintech startups and established financial institutions delivered strong returns, capitalizing on the increasing digitalization of financial transactions.
- **Energy & Infrastructure:** We expanded our exposure to renewable energy projects, aligning with Kuwait's long-term sustainability goals while maintaining profitability.
- **Technology & Innovation:** Investments in AI-driven and blockchain-based solutions yielded promising results, reinforcing our commitment to future-ready sectors.

Risk Management

We maintained a proactive risk management framework, which included:

- **Market Risk Mitigation:** Hedging strategies and geographic diversification

protected our portfolio against market volatility.

- **Regulatory Compliance:** Adhering to evolving regulatory frameworks ensured operational stability and investor confidence.
- **Liquidity Management:** Strengthening our cash flow position allowed us to capitalize on market opportunities and sustain long-term growth.

Outlook for 2022 and Beyond

Looking ahead, Bahtco Holding remains committed to sustainable growth and value creation. Our focus for 2022 will be on:

- Expanding our presence in high-growth sectors such as renewable energy and digital assets.
- Enhancing our investment strategies through data-driven insights and AI-powered analytics.
- Strengthening partnerships with global and regional players to enhance market reach and investment synergies.

Conclusion

2021 was a milestone year for Bahtco Holding, characterized by exceptional revenue growth and strategic investment success. Our ability to navigate complex market conditions and leverage high-potential opportunities underscores our strength as a leading

investment company in Kuwait. We remain confident in our ability to sustain this momentum and deliver continued value to our shareholders and partners in the years to come.

Ahmad Issar Al-Mutawa

Chief Investment Officer

January 9, 2022

Financial Report 2021

Overview

In the financial year ending September 30, 2021, Bahtco Holding achieved another strong performance, delivering excellent results. We experienced growth in both net profit and revenue while also expanding our customer network. Bahtco Holding achieved a 26.2% revenue growth, reaching KD 99.1 million (2020: KD 78.5 million) driven by strategic investments in technology, renewable energy, sector-specific funds, and alternative assets. Net income surged by 34.6% to KD 79.3 million (2020: KD 58.9 million) reflecting our strong financial performance and commitment to shareholder value.

Financial Metric	2020 (KD Millions)	2021 (KD Millions)
Total Revenue	78.5	99.1
Operating Expenses	19.6	19.8
Net Profit	58.9	79.3
Total Assets	321.7	578.5
Total Equity	75.48	108.8

Operating Performance

Bahtco operates across major global markets—North America, Europe, the Middle East, and Asia—leveraging regional expertise to meet diverse client needs. Its commitment to superior investment outcomes, operational efficiency, and service expansion has strengthened its market position and financial stability, transforming it into a truly global, client-focused firm.

Regional Performance

- **North America**
 - Strong performance driven by technology and healthcare investments.
 - Expanded partnerships with institutional clients, pension funds, and high-net-worth individuals, increasing market share.

- **Europe**
 - Capitalized on sustainable investment trends in renewable energy, green bonds, and infrastructure projects.
 - Significant revenue contribution from advisory and performance fees, benefiting from strong ESG investment demand.
- **Middle East**
 - Targeted sovereign wealth funds, family offices, and private investors with tailored investment solutions.
 - Growth driven by infrastructure, technology, and private equity investments, demonstrating adaptability to regional dynamics.
- **Asia**
 - Expanded presence in emerging markets, focusing on technology and consumer sectors.
 - Strengthened client relationships through strategic alliances and localized advisory services.

Future Outlook

- **Investment in Innovation:** Continued focus on technology and data-driven strategies for a competitive edge.
- **Growth Strategy:** Expanding assets under management (AUM), enhancing client acquisition, and sustaining high performance.
- **Operational Excellence:** Maintaining cost efficiency while strategically investing in growth areas for long-term profitability.

Bahtco's resilience, strategic foresight, and commitment to excellence have positioned it for sustained success in the competitive global investment landscape.

Business Model

Bahtco connects clients to financial opportunities by offering services that drive business growth, maximize investment returns through ethical and innovative solutions, and ensure efficient asset management with a risk-aware approach. The company's business model is built on client-centric strategies, diversified revenue streams, and a strong commitment to sustainable investing.

Key Components of the Business Model

1. Core Services

- **Asset Management:** The primary revenue driver, managing a diversified portfolio across equities, fixed income, real estate, and alternative investments. Revenue is generated through management fees based on AUM and performance-based fees.
- **Advisory Services:** Personalized financial planning, investment advice, and risk management solutions for individual and institutional clients, including portfolio analysis, market insights, and strategic asset allocation.
- **Product Development:** Offering investment products such as mutual funds, ETFs, and structured products tailored to market demands and client needs.

2. Revenue Streams

- **Management Fees:** Charged as a percentage of AUM, ensuring a stable and predictable income.
- **Performance Fees:** Earned when portfolios exceed predefined benchmarks, aligning the firm's success with client returns.
- **Advisory & Consulting Fees:** Generated from customized financial planning and consulting services for high-net-worth individuals and institutional clients.
- **Transaction Fees:** Collected from securities trading and investment product offerings.
- **Non-Operating Revenues:** Includes interest income, dividends, capital gains, and other ancillary earnings that diversify income sources.

3. Target Markets

- **Individual Investors:** High-net-worth individuals seeking personalized investment strategies and financial planning.
- **Institutional Investors:** Pension funds, endowments, foundations, and sovereign wealth funds requiring customized asset management and advisory solutions.
- **Corporate Clients:** Companies seeking investment advice and management for corporate treasuries and employee benefit plans.

4. Geographical Focus

Operating in North America, Europe, the Middle East, and Asia, Bahtco leverages regional expertise to address local market dynamics. Its global presence enhances client acquisition and investment opportunities.

Value Proposition

- **Performance-Oriented:** Strong investment performance with robust risk management fosters trust and long-term client relationships.
 - **Client-Centric Approach:** Personalized services tailored to individual financial goals ensure high client satisfaction and retention.
 - **Sustainability Commitment:** ESG integration in investment strategies appeals to socially conscious investors and strengthens market reputation.
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Operational Efficiency

- **Technology Integration:** AI, automation, and advanced analytics streamline operations, enhance decision-making, and improve client interactions, driving cost efficiency and scalability.
 - **Process Optimization:** Continuous review and refinement of internal workflows improve productivity, reduce costs, and enhance service delivery.
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Marketing & Client Acquisition

- **Digital Marketing:** Utilizing online platforms, social media, and content marketing to educate and attract clients.
- **Networking & Relationship Building:** Active participation in industry events, seminars, and conferences to foster referrals and enhance market credibility.

Bahtco's structured and client-focused business model ensures long-term sustainability, financial stability, and competitive positioning in the global investment landscape.

Detailed Financial Performance

Bahtco Holding delivered a strong financial performance, supported by revenue growth, disciplined cost management, and strategic investments. The firm's commitment to innovation, client acquisition, and sustainable investing continues to drive its competitive advantage.

1. Consolidated Revenue Analysis

Total Operating Revenue: KD 87.2 million, driven by core business activities:

- **Management Fees:** KD 75.2 million from AUM-based fees, providing a stable income foundation.
- **Performance Fees:** KD 7.7 million from above-average investment returns, reflecting strong investment management.
- **Advisory & Consulting Fees:** KD 4.3 million from specialized financial services, demonstrating growth in high-value client offerings.

Total Non-Operating Revenue: KD 3.9 million from diversified income streams:

- **Interest Income:** KD 2.3 million from strategic cash reserves and fixed-income investments.
 - **Dividend Income:** KD 821,452 from equity holdings in dividend-paying stocks.
 - **Capital Gains:** KD 1 million from the profitable sale of non-core investments.
 - **Foreign Exchange Gains:** KD 572,343 from favorable currency fluctuations.
 - **Rental Income:** KD 102,126 from leasing company-owned properties.
 - **Royalties/Licensing Fees:** KD 112,324 from proprietary financial models and technology licensing.
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2. Expense Management

- **Total Operational Costs:** KD 19.8 million, reflecting disciplined cost control alongside strategic investments.
 - **Cost Optimization:** Automation and streamlined process
 - **Investment in Growth:** Continued spending on technology, ESG integration, and talent acquisition to support long-term expansion.
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3. Profitability Metrics

- **Net Income:** KD 79.3 million, demonstrating strong revenue-to-profit conversion.
 - **Operating Margin:** 25.4%, indicating effective cost control while sustaining revenue expansion.
 - **EBITDA:** KD 23.5 million, reflecting robust operational cash flow.
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4. AUM Growth & Client Acquisition

- **AUM Growth:** A 15.3% increase, driven by organic client expansion and strong investment performance.
 - **Client Retention & Acquisition:** Enhanced digital marketing and personalized services resulted in a **92.2% retention rate** and steady inflows of new clients.
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5. Strategic Initiatives & Investments

- **Sustainable Investing:** The firm's ESG-focused strategies attracted a diverse range of socially conscious investors.
- **Technology Integration:** AI-driven platforms and advanced analytics improved investment decision-making and operational efficiency.
- **Advisory Expansion:** Strengthened financial planning and risk management services, deepening client relationships.

6. Market Position & Competitive Landscape

- **Benchmark Outperformance:** A 22.25% return on AUM, exceeding industry benchmarks and reinforcing Bahtco's leadership in active and sustainable investment management.
- **Competitive Differentiation:** The firm's unique combination of high-performance strategies, client-centric services, and ESG commitment sets it apart.
- **Strategic Partnerships:** Collaborations with financial institutions and sustainability organizations expanded market reach and credibility.

7. Future Outlook

- **Growth Prospects:** Positioned to capitalize on market opportunities with strategic initiatives to expand AUM, enhance client acquisition, and sustain high performance.
- **Investment in Innovation:** Continued focus on technology and data-driven strategies to maintain a competitive edge.
- **Operational Excellence:** Balancing cost efficiency with strategic investments to drive long-term profitability.

Looking Ahead: 2022 Outlook

As Bahtco Holding moves into 2022, it remains committed to navigating an increasingly dynamic global economic landscape with precision and agility. The experiences of 2021—marked by market volatility, COVID-19 challenge, rising inflation, and geopolitical tensions—have reinforced the importance of adaptability and resilience in asset management. With a strong foundation, the firm is well-equipped to sustain growth, drive innovation, and deliver long-term value to its clients.

Economic Environment - 2021 Annual Report

In 2021, the global economic landscape continued to be shaped by the ongoing challenges presented by the COVID-19 pandemic, coupled with the evolving impacts of geopolitical tensions, supply chain disruptions, and shifts in consumer behavior. However, as the world began to recover from the initial shock of the pandemic, opportunities for growth in various sectors began to materialize.

Global Economic Recovery

The global economy showed signs of recovery in 2021, with major economies gradually reopening and adapting to new operating conditions. Governments worldwide implemented stimulus measures and vaccination programs that contributed to an uptick in consumer spending and business activity. Despite these positive developments, economic recovery remained uneven across regions, with some emerging markets facing challenges in controlling the spread of the virus and securing vaccine distribution.

The rise in inflation, driven by supply chain bottlenecks, labor shortages, and rising raw material costs, became a significant concern for policymakers and investors. Central banks in key economies, such as the U.S. Federal Reserve and the European Central Bank, maintained accommodative monetary policies to support growth, though discussions around tightening policies began toward the end of the year.

Geopolitical Tensions

Geopolitical tensions also impacted the global economic environment in 2021. The ongoing conflict between Russia and Ukraine, along with rising tensions in the Middle East, had far-reaching consequences for global markets. The energy sector, in particular, experienced significant volatility as oil and gas prices fluctuated in response to these tensions. This uncertainty in the energy market further compounded the challenges facing businesses and investors in 2021.

Despite these risks, the firm took a cautious yet proactive approach to mitigate exposure to these uncertainties, leveraging diversified investment strategies to manage geopolitical risks effectively.

Sustainability and ESG Trends

The global push toward sustainability and responsible investing continued to gain momentum in 2021, with increasing demand for ESG-compliant investments. Governments and businesses alike were focusing on achieving environmental and social goals, with regulatory frameworks for sustainability becoming stricter. The acceleration of green energy initiatives, coupled with the growing importance of environmental consciousness in corporate strategies, created significant investment opportunities in renewable energy and sustainable infrastructure.

Technological Advancements

Technological innovation continued to disrupt industries globally, particularly in sectors such as biotechnology, artificial intelligence, and digital transformation. As the world adjusted to a more digital-first environment, Bahtco responded by expanding investments in these high-growth sectors, recognizing the pivotal role that technological advancements play in driving future economic growth.

Outlook for 2022 and Beyond

Looking ahead to 2022 and beyond, the economic environment is expected to remain dynamic, with continued recovery from the pandemic and a strong focus on sustainability, technological innovation, and resilience. The firm is well-positioned to navigate these evolving conditions by maintaining its diversified portfolio, leveraging market opportunities, and staying aligned with the growing demand for responsible investment strategies.

Bahtco is confident in its ability to capitalize on emerging trends and provide our clients with attractive, long-term investment opportunities, even as the global economic landscape continues to evolve.

Operational Efficiency and Challenges Overcome

In 2021, Bahtco navigated several operational challenges that emerged due to global economic uncertainties, supply chain disruptions, and the continuing impacts of the COVID-19 pandemic. Despite these challenges, the company demonstrated resilience and adaptability, ensuring sustained operational efficiency and robust financial performance. Through strategic

investments, process optimization, and a focus on technological integration, Bahtco overcame key obstacles and continued to enhance its operations.

Rising Operational Costs

One of the most significant challenges faced in 2021 was the rise in operational costs, driven primarily by inflation, rising energy prices, and increased demand for materials. These factors were particularly evident in the energy, logistics, and technology sectors. However, Bahtco responded by carefully monitoring and adjusting its cost structure, ensuring that these increases did not negatively impact the company's profitability or operational efficiency.

Supply Chain Disruptions

Global supply chain disruptions were a persistent issue throughout 2021. Shortages in materials, delays in production, and logistical bottlenecks posed significant challenges, particularly in the technology and real estate sectors. Bahtco took a proactive approach to mitigate these risks by diversifying its suppliers, improving inventory management practices, and leveraging local sourcing to ensure a steady flow of critical resources. These efforts allowed the company to maintain its project timelines and meet client demands without significant disruptions.

Technological Integration and Automation

Bahtco continued to invest in technology to streamline operations and improve efficiency. The implementation of advanced automation, artificial intelligence (AI), and data analytics played a central role in enhancing decision-making processes and client servicing. The adoption of AI-driven tools allowed the firm to optimize investment strategies, improve portfolio management, and reduce operational costs. Additionally, the integration of digital solutions in client-facing services improved communication and overall client satisfaction.

Cost Optimization Strategies

The company placed a strong emphasis on cost optimization in 2021, implementing a range of measures to control and reduce expenses without sacrificing the quality of services provided. These measures included:

- **Process Improvements:** Streamlining internal workflows and leveraging digital tools for greater efficiency, resulting in faster turnaround times and improved accuracy.
- **Outsourcing and Vendor Management:** Strengthening relationships with key partners and vendors, ensuring that services were delivered at competitive prices without compromising quality.
- **Workforce Optimization:** Leveraging remote work solutions and digital collaboration tools, which allowed Bahtco to maintain productivity levels while reducing overhead costs associated with office spaces and travel.

Risk Management and Resilience

Despite the numerous challenges, Bahtco maintained a robust risk management framework to ensure business continuity. By diversifying investments, focusing on high-growth sectors, and strengthening the firm's liquidity position, the company was able to weather market volatility and sustain strong performance. The firm's commitment to risk mitigation through diversified asset allocation and contingency planning allowed it to maintain its position as a stable and reliable partner to its clients.

Looking Ahead

As we move into 2022 and beyond, Bahtco remains committed to driving operational excellence. We will continue to focus on maintaining a lean and efficient operational structure while investing in innovation, automation, and process optimization to ensure long-term sustainability. By overcoming the challenges of 2021 and adapting to an ever-changing environment, Bahtco is well-positioned for future growth and success.

Corporate Governance

Corporate governance is central to Bahtco Holding's commitment to ethical and transparent management practices. As a global investment firm, we understand the significance of strong governance in ensuring accountability, building trust, and ensuring long-term sustainability for our stakeholders.

1. Governance Statement

At Bahtco Holding, we align our governance framework with industry best practices to operate transparently, ethically, and accountably. The Board of Directors, working closely with the executive management team, ensures the implementation of governance policies that create value while safeguarding the interests of shareholders, clients, employees, and other stakeholders.

We are dedicated to maintaining a governance structure that facilitates efficient decision-making, balances risk and return, and ensures compliance with regulations in all regions where we operate. Our governance framework is regularly reviewed and refined to keep pace with the evolving global financial landscape and address emerging risks and opportunities.

2. The Board and Key Positions

The Board of Directors provides strategic oversight and guidance to the company. It is made up of individuals with diverse skills, expertise, and backgrounds, ensuring well-rounded decision-making and robust governance.

Board Positions:

- **Chairperson of the Board:** The Chairperson leads the Board, ensuring effective communication, collaboration, and governance processes. The Chairperson plays a pivotal role in setting agendas and facilitating discussions.
- **Chief Executive Officer (CEO):** The CEO manages the day-to-day operations of the company and executes the Board's strategic decisions, bridging the gap between the Board and company operations.
- **Chief Investment Officer (CIO):** The CIO manages the company's financial health, ensuring fiscal responsibility, transparency, and achievement of financial goals.
- **Non-Executive Directors:** Independent of daily operations, these directors provide oversight, challenge management decisions, and offer diverse perspectives during Board discussions.
- **Company Secretary:** The Company Secretary ensures legal and regulatory compliance, supports the Board with governance matters, and manages meetings, agendas, and minutes.

3. Governance Framework

Bahtco Holding's governance framework outlines the distribution of responsibilities among the Board, management, shareholders, and stakeholders. It provides a structure for effective and accountable governance.

Key Components:

- **Board Oversight:** The Board oversees the company's strategic direction, risk management, financial performance, and corporate culture. It holds management accountable for executing strategies in line with the company's values and objectives.
- **Risk Management:** Governance policies ensure the establishment of a robust risk management framework that identifies, assesses, and mitigates financial, operational, and compliance risks.
- **Stakeholder Engagement:** We maintain open communication with stakeholders, including shareholders, employees, clients, and regulators, to foster trust and transparency.
- **Regulatory Compliance:** We monitor compliance with all relevant legal and regulatory requirements and uphold the principles of the Capital Markets Authority (CMA).

4. Board Agenda and Meeting Minutes

Board Agenda: The Board agenda is meticulously crafted to address key strategic, operational, financial, and governance issues. The agenda is set in consultation with the Chairperson, CEO, and Company Secretary to ensure all crucial topics are covered.

Typical agenda items include:

- Review of financial performance and reports
- Strategic initiatives and growth opportunities
- Risk management updates and assessments
- Environmental, Social, and Governance (ESG) commitments and progress
- Compliance with legal and regulatory requirements
- Board committee reports and recommendations

- Talent management and succession planning

Meeting Minutes: Detailed minutes of all Board meetings are kept to provide a transparent record of discussions, decisions, and actions. These minutes are prepared by the Company Secretary, reviewed by the Chairperson, and circulated to all Board members for approval. They ensure clarity on decisions, tasks, and timelines for implementation.

5. Board Committees: Roles and Responsibilities

To enhance governance efficiency, Bahtco Holding has established several key committees, each focused on specific governance areas. Each committee has a clear scope and responsibility.

Key Committees:

- **Audit Committee:** Oversees financial reporting, internal controls, compliance with legal requirements, and the work of internal and external auditors. Composition: At least three non-executive directors, with a majority being independent. Responsibilities include reviewing financial statements and overseeing internal audit functions.
- **Risk and Compliance Committee:** Ensures the company's risk management framework is effective and monitors market, operational, and reputational risks while ensuring legal compliance.
- **Remuneration and Nomination Committee:** Oversees executive compensation, performance evaluation, and succession planning, and is responsible for nominating new Board members.
- **Sustainability and ESG Committee:** Focuses on the company's ESG initiatives, ensuring they align with sustainability goals and comply with evolving ESG regulations.

6. Professional Conduct and Ethical Standards

Bahtco Holding upholds the highest standards of professional conduct and ethics for employees, management, and Board members. Our code of conduct emphasizes integrity, accountability, and fairness in all business activities.

Key Principles:

- **Integrity:** Employees and executives are expected to act with honesty, upholding the company's reputation in all dealings.
- **Confidentiality:** Strict confidentiality protocols protect sensitive information and ensure client trust.
- **Compliance:** Adherence to laws, regulations, and company policies is mandatory. Regular training ensures employees stay informed of regulatory changes.
- **Conflict of Interest:** Any potential conflicts of interest must be disclosed and managed to maintain the company's governance standards.

7. Disclosures

Transparency is critical to good corporate governance. Bahtco Holding is committed to providing timely and accurate disclosures on financial performance, governance practices, risk management, and sustainability efforts.

Types of Disclosures:

- **Financial Disclosures:** Regular financial reports, including quarterly and annual statements, are shared with stakeholders.
- **Governance Disclosures:** Information on the Board's structure, committees, decision-making processes, and governance framework is made available.
- **Risk Disclosures:** The company provides insights into its risk management strategies and material risks that may affect operations.
- **Sustainability Disclosures:** Bahtco Holding regularly reports its sustainability performance, including environmental impact, social initiatives, and governance practices.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a core component of Bahtco Holding's mission to generate long-term value for our stakeholders and society. We recognize that the success of our business is intertwined with the health and prosperity of the broader community. Our CSR

initiatives are centered on four key pillars, where we aim to make a meaningful, positive impact:

Environmental Impact

Kuwait faces significant water resource challenges, with limited renewable water per capita. In response, Bahtco has made substantial donations to the Kuwait Water Association to support water conservation efforts. We have also invested in renewable energy, particularly solar and wind power, to align with Kuwait's goals of reducing reliance on fossil fuels and promoting environmental sustainability.

Social Impact and Community Engagement

Bahtco focuses on addressing Kuwait's socio-economic challenges, particularly in education, healthcare, and economic empowerment. Our initiatives include:

- **Education Programs:** Supporting training initiatives in finance, technology, and sustainability through partnerships with the Ministry of Education.
- **Health and Well-being:** Promoting public health initiatives targeting lifestyle-related diseases like diabetes and obesity.
- **Economic Empowerment:** Providing capital injections and advisory services to young entrepreneurs and SMEs, fostering job creation and economic diversification.

Social Impact and Community Engagement

At Bahtco, we are committed to addressing key socio-economic challenges in Kuwait by aligning our community engagement initiatives with the country's development goals:

1. **Education Programs:** We invest in educational initiatives that focus on providing training and development, particularly in finance, technology, and sustainability. In partnership with the Kuwaiti Ministry of Education and other government bodies, we support programs such as the Integrated Education Reform Program, which emphasizes curriculum development, teacher training, and assessment standards.
2. **Health and Well-being:** We support healthcare initiatives aimed at improving access to quality services, particularly in underserved areas. Our focus is on lifestyle-related

health challenges like diabetes and obesity, in line with Kuwait's national health priorities.

3. **Economic Empowerment:** Our work supports societal development by reinvesting revenue into initiatives that foster job creation and economic opportunities, especially for youth and women. We provide free advisory services and capital injections to start-ups, particularly in non-oil sectors, promoting economic diversification and sustainable growth in Kuwait. This aligns with national objectives to encourage entrepreneurship and job creation.

Diversity, Equity, and Inclusion (DEI)

We are committed to promoting diversity, equity, and inclusion (DEI) within our company, ensuring that employees from various backgrounds thrive in a supportive work environment. Our DEI efforts align with Kuwait's societal values and focus on gender balance and inclusivity at all organizational levels:

1. **Inclusive Hiring Practices:** We prioritize diversity in our recruitment and career development processes, ensuring equal opportunities for all employees regardless of gender, nationality, or cultural background. We are particularly focused on increasing the representation of Kuwaiti nationals and women in leadership roles.
2. **Support for Female Leadership:** To enhance women's participation in the workforce, we offer mentorship programs, skills development, and flexible work arrangements to encourage women to take leadership positions.
3. **Employee-Led Groups:** We support employee-driven groups that promote cultural awareness, diversity, and community engagement. These groups foster a sense of belonging and integrate employees from various cultural backgrounds, reflecting Kuwait's multicultural society.
4. **Training and Development:** We offer ongoing training on unconscious bias, cultural competency, and inclusive leadership to ensure that our workforce is equipped to uphold our DEI values and create a respectful, supportive work environment.
5. **Supporting Local Talent:** We partner with local universities, offer internships, and provide training programs to develop the talents of Kuwaiti nationals. This initiative contributes to the national goal of building a knowledge-based economy.

By integrating DEI into our operations, we not only align with Kuwait's development strategies but also enhance our competitiveness, fostering innovation and long-term growth.

Key Areas of Focus in CSR

Environmental Stewardship

We recognize the urgent need to combat climate change and environmental degradation. Our commitment to environmental sustainability is reflected in our investments in renewable energy, clean technologies, and sustainable infrastructure projects. We actively work to reduce our carbon footprint and promote sustainable practices across our operations:

- **Carbon Neutrality:** We have set ambitious goals to achieve carbon neutrality by reducing greenhouse gas emissions and investing in renewable energy sources.
- **Sustainable Investment:** We focus on sectors that promote environmental preservation, including solar, wind energy, sustainable agriculture, and conservation efforts.
- **Waste Reduction:** We minimize waste through recycling programs, reducing single-use plastics, and promoting digital solutions to reduce paper consumption.

Social Impact and Community Engagement

At Bahtco, we are dedicated to giving back to the communities where we operate. Our social impact initiatives are focused on improving access to education, healthcare, and economic opportunities, especially in underserved regions. We collaborate with local organizations and NGOs to support initiatives aligned with our CSR objectives:

- **Education Programs:** We invest in training and development opportunities, particularly in finance, technology, and sustainability.
- **Health and Well-being:** We support healthcare programs aimed at improving access to essential healthcare services.
- **Economic Empowerment:** We invest in job creation initiatives and economic opportunities, particularly in emerging markets.

Professional Conduct and Ethical Standards

Ethical business practices are central to our operations at Bahtco. We have established a robust code of conduct that outlines high standards for professionalism and ethical decision-making, which all employees must adhere to:

- **Integrity:** Employees are expected to act with honesty and integrity in all business interactions.
- **Transparency:** We prioritize clear communication with stakeholders, clients, and the public, providing accurate information about our operations and performance.
- **Accountability:** Employees are accountable for their actions, with clear procedures in place for addressing ethical concerns and misconduct.
- **Anti-Corruption:** We maintain a zero-tolerance policy for bribery and corruption, adhering to local and international regulations.

Disclosures and Reporting

Transparency is a cornerstone of our CSR strategy. We are committed to providing timely and comprehensive disclosures regarding our CSR activities, impacts, and progress. Our annual sustainability report details our achievements in environmental stewardship, social impact, and governance:

- **Environmental Impact:** We report on carbon emissions, energy consumption, and progress towards sustainability goals.
- **Social Initiatives:** Our disclosures include the impact of our community engagement programs, diversity efforts, and contributions to education and healthcare.
- **Governance and Ethics:** We provide updates on our governance practices, including compliance with ethical standards and anti-corruption measures.

By adhering to global CSR principles and maintaining transparency, Bahtco aims to remain a responsible corporate citizen, positively impacting society and the environment.

Risk and Risk Management

Risk management is fundamental to Bahtco Holding's operations. We recognize that risk is inherent in the investment sector, particularly when managing portfolios across various asset classes and geographic regions. While Bahtco Holding accepts the risks associated with investments, we actively mitigate them through diversification, robust risk management practices, and an established governance structure.

Our business generates revenue through long-term investments and strategic financing. These funds are used to support operations, provide capital for reinvestment, and secure growth opportunities. However, Bahtco Holding also understands that external and internal risk factors, such as global market volatility, economic slowdowns, and sector-specific risks, could impact profitability. To ensure the sustainability of our business model, we manage and monitor risks through a comprehensive framework.

Risk Management Framework

Our risk management approach is designed to consistently and rigorously manage risk across the organization. This approach is underpinned by a clear risk appetite framework, along with processes for overseeing, managing, and monitoring risk factors.

- **Governance**

Bahtco Holding's governance structure includes the implementation of comprehensive **risk policies** and the **Risk, Governance, and Compliance Committee (RGCC)**. The RGCC oversees the effective management of risks and ensures alignment with company objectives. Each department within the company is responsible for managing its respective risks, with line management playing a central role. This is part of our **three lines of defense model**, where risk and internal audit teams provide additional oversight.

- **Risk Process**

Bahtco Holding follows a well-defined process for identifying, measuring, managing, monitoring, and reporting risks. This involves the use of advanced **risk models**, **stress**

testing, and **scenario analysis** to evaluate potential threats to the business. Following an assessment, we decide whether to accept, mitigate, transfer, or reduce the risks based on their potential impact.

- **Risk Appetite Framework:**

Our risk appetite framework is aligned with the level of return we seek and outlines the risks we are prepared to accept, mitigate, or avoid. For example, we set specific exposure limits for various asset classes and geographical regions, reflecting our willingness to tolerate certain risks. Our risk appetite is expressed quantitatively, allowing us to measure and manage exposure across different investments.

Risks Inherent to Bahtco Holding's Business Model

1. Credit Risk

- **Risk Preference:** Credit risk is considered normal in the investment business, but it is managed actively through strong systems and processes. Bahtco Holding recognizes that some exposure to credit risk is inevitable, particularly with lending or investment transactions involving counterparties or debtors. However, the company strives to limit overall exposure and manage it effectively.
- **Mitigation Strategies:**
 - **Risk Appetite Limits:** Bahtco Holding establishes specific limits for credit exposure, ensuring it doesn't take on too much credit risk in relation to its overall portfolio. This helps in managing the maximum allowable default risks.
 - **Risk-Based Pricing:** The company adjusts its pricing models to reflect the risk of default, ensuring that higher-risk investments or transactions are compensated with higher returns.
 - **Credit Risk Assessment Program:** A robust assessment program is in place to thoroughly evaluate the creditworthiness of potential clients or partners.

This helps identify risky investments early on and take steps to reduce exposure.

- **Active Credit Exposure Monitoring:** Continuous monitoring of the company's credit portfolio ensures that risk is identified and managed as it evolves. In the case of default or other negative changes, timely actions are taken.
 - **Repossession Program:** For high-risk assets, Bahtco Holding may implement a repossession program as a safeguard in case of significant default, particularly for physical assets like real estate or vehicles.
-

2. Market Risk

- **Risk Preference:** Market risk arises from fluctuations in interest rates, currency exchange rates, commodity prices, and other financial market variables. While Bahtco Holding recognizes that some level of market risk is inherent in the business, it prefers to limit its exposure to high-risk areas such as interest rate volatility and inflation.
- **Mitigation Strategies:**
 - **Risk Appetite Limits:** The company sets limits on its exposure to various market risks. This includes monitoring and limiting risk from interest rate fluctuations, inflation, and commodity price movements (e.g., oil).
 - **Natural Hedging:** Bahtco Holding may hedge market risk through its operational and financing arrangements. For example, the company may match the currency denomination of revenues and expenditures to mitigate foreign exchange risk.
 - **Inflation Adjustment in Pricing:** Contracts or pricing models may include clauses that adjust rental income or other revenue streams to account for inflation, reducing the risk of income erosion.
 - **Regular Market Analysis:** Bahtco Holding invests in market research and forecasting to predict and respond to market shifts. This can help anticipate changes in oil prices, interest rates, and inflation, allowing the company to make more informed decisions.

3. Event Risk

- **Risk Preference:** Event risks—such as major economic crises, terrorist attacks, or natural disasters—are recognized by Bahtco Holding as unpredictable and often outside of the company’s control. Nevertheless, the company understands the need to be prepared and minimize exposure to event-related risks.
- **Mitigation Strategies:**
 - **Repossession Plans:** In the event of a major disruption (such as a catastrophe or geopolitical instability), Bahtco Holding has established plans to repossess assets or take back control of investments that may be affected by these events.
 - **Active Market Monitoring:** The company’s strategy department monitors global events, such as geopolitical tensions, trade wars, and other potential disruptions. Identifying early warnings allows for proactive steps to minimize impact.
 - **Diversification:** Bahtco Holding actively diversifies its investments across multiple regions and industries to reduce the concentration of risk. For example, exposure to a specific country or industry may be balanced with investments in less vulnerable regions.
 - **Five-Year Strategic Plan:** This forward-looking plan helps Bahtco Holding anticipate possible future events and economic scenarios, aligning investment decisions with a longer-term view of market volatility.

4. Asset Risk

- **Risk Preference:** Bahtco Holding takes asset risks in measured amounts, ensuring that risks are aligned with the company’s core skills in asset pricing and management. The company focuses on understanding and managing asset risks effectively, balancing risks across different asset types.

- **Mitigation Strategies:**
 - **Risk Appetite Limits:** Asset risk is managed through specific limits set for the types of assets in the portfolio, ensuring that any exposure to asset risk is within acceptable thresholds.
 - **Maintenance Reserves:** Bahtco Holding collects maintenance reserves from lessees, which are reinvested throughout the duration of the lease agreement. This helps ensure the proper upkeep of assets and mitigates the risk of depreciation or deterioration.
 - **Contractual Obligations:** The company ensures that all lease agreements and asset management contracts clearly define the responsibilities of both the lessee and the lessor. This helps reduce operational risks and ensures both parties fulfill their obligations.
 - **Asset Diversification:** By balancing its investments across various types of assets, manufacturers, and technologies, Bahtco Holding can reduce exposure to risks associated with any one specific type of asset (e.g., aircraft, real estate, or technology).
-

5. Operational Risk

- **Risk Preference:** Operational risk, which includes risks associated with technology failures, human error, legal and regulatory compliance issues, and inefficient processes, is minimized by Bahtco Holding. The company recognizes that operational risks rarely provide positive returns, so efforts are made to reduce them to a minimum.
- **Mitigation Strategies:**
 - **Risk Appetite Limits:** The company defines clear risk appetite limits for operational risk, which are integrated into its overall business operations.
 - **Operational Risk and Control Framework:** Bahtco Holding has implemented a comprehensive operational risk framework that includes systems and processes for identifying, measuring, and monitoring risks across all business functions. Standardized reporting helps track risk performance and ensures continuous improvements.

- **Technology Investment:** To reduce technological risks, Bahtco Holding regularly invests in upgrading its systems and infrastructure. This enhances the resilience, security, and reliability of its operations.
 - **Process Improvement:** The company focuses on continuous process improvement, training employees, and implementing best practices to reduce the likelihood of errors, legal risks, or compliance issues.
 - **Legal and Regulatory Compliance:** Bahtco Holding maintains a dedicated compliance team to stay updated with evolving legal and regulatory requirements. Regular audits ensure compliance and reduce the risk of legal consequences.
-

By implementing these detailed mitigation strategies, Bahtco Holding can ensure that it manages its exposure to risks while continuing to pursue investment opportunities and maintain a competitive edge in the market. This structured approach helps align the company's operations with its long-term goals, ensuring resilience in a volatile investment landscape.

Independent Auditors' Report



To the Shareholders of Bahtco Holding, Kuwait

Opinion

We have audited the financial statements of Bahtco Holding for the year ended September 30, 2021, which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows, as well as the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bahtco Holding as of September 30, 2021, and its financial performance and cash

flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and relevant regulations in Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and the auditing standards applicable in Kuwait. Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of Bahtco Holding in accordance with the ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and applicable regulations in Kuwait. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of Bahtco Holding's financial statements. These matters were addressed in the context of our audit and in forming our opinion. The key areas of focus included:

1. Revenue Recognition

- Given the 26.2% increase in revenue from KD 78.5 million in 2020 to KD 99.1 million in 2021, we assessed whether the revenue recognition policies complied with IFRS 15 (Revenue from Contracts with Customers) and whether revenue was accurately recorded in the correct reporting period.
- We tested journal entries, conducted substantive analytical procedures, and verified supporting documentation for major revenue transactions.

2. Investment Valuation and Fair Value Measurement

- Bahtco Holding has a diversified investment portfolio across real estate, financial services, technology, and energy. We assessed whether investments were correctly classified and measured in accordance with IFRS 9 (Financial Instruments) and IFRS 13 (Fair Value Measurement).
- We reviewed valuation methodologies, engaged independent valuation experts, and tested assumptions used for fair value calculations.

3. Risk Management and Liquidity Position

- The company's risk management strategies were evaluated to determine their effectiveness in mitigating market risks and maintaining adequate liquidity for future investments.
- We examined cash flow forecasts, debt obligations, and capital adequacy ratios to ensure the company remains financially stable.

Other Information included in the Group's 2021 Annual Report

Management is responsible for the other information included in the Group's 2021 Annual Report, excluding the consolidated financial statements and our auditor's report. We obtained the report of the Company's Board of Directors before issuing our auditor's report and expect to receive the remaining sections of the Group's 2021 Annual Report afterward.

Our audit opinion on the consolidated financial statements does not extend to the other information, and we do not provide any assurance on it. However, as part of our audit, we review the other information to assess whether it is materially inconsistent with the consolidated financial statements or with the knowledge gained during our audit, or if it appears to be materially misstated. If we identify a material misstatement based on the information obtained before issuing our auditor's report, we are required to disclose this. However, we have no such matters to report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for preparing and fairly presenting the consolidated financial statements in compliance with IFRSs, as well as implementing internal controls necessary to ensure that the statements are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management must evaluate the Group's ability to continue as a going concern, disclose any relevant matters, and apply the going concern basis of accounting unless they intend to liquidate the Group or cease operations, with no viable alternative.

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

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

Our objective is to obtain reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error, and to issue an audit opinion. While reasonable assurance is a high level of confidence, it does not guarantee that all material misstatements will be detected. Fraud-related misstatements can be harder to identify due to collusion, forgery, intentional omissions, misrepresentations, or internal control overrides.

As part of our audit under International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism. Our key responsibilities include:

- Identifying and assessing risks of material misstatement in the consolidated financial statements, designing appropriate audit procedures, and obtaining sufficient audit evidence to form our opinion.
- Gaining an understanding of internal controls relevant to the audit to tailor our audit procedures, but not to express an opinion on their effectiveness.
- Evaluating the appropriateness of accounting policies used, as well as the reasonableness of accounting estimates and disclosures made by management.
- Assessing the suitability of management's use of the going concern assumption. If material uncertainties exist that could affect the Group's ability to continue as a going concern, we highlight these in our audit report unless disclosures are inadequate, in which case we modify our opinion.
- Reviewing the overall presentation, structure, and content of the consolidated financial statements to ensure they accurately reflect underlying transactions and events.
- Obtaining sufficient and appropriate audit evidence regarding financial information from the Group's entities or business activities to form an opinion on the consolidated

financial statements. We are responsible for directing, supervising, and conducting the Group audit, and we remain solely responsible for our opinion.

We communicate with those responsible for governance regarding key aspects of the audit, including the planned scope, timing, and any significant audit findings, particularly concerning internal control deficiencies. Additionally, we confirm our compliance with relevant ethical independence requirements and disclose any relationships that may impact our independence, along with applicable safeguards.

From these discussions, we determine the most significant matters in the audit of the current year's consolidated financial statements—referred to as key audit matters—which we include in our auditor's report unless law or regulations prevent us from doing so or if public disclosure would cause more harm than benefit.

Report on Other Legal and Regulatory Requirements

Additionally, in our opinion, the Parent Company has maintained proper accounting records, and the consolidated financial statements, along with the Board of Directors' report, align with these records.

We confirm that we obtained all necessary information and explanations for our audit and that the consolidated financial statements include all required disclosures under Companies Law No. 1 of 2018 (as amended), its executive regulations, and the Company's Memorandum and Articles of Association. We also verify that an inventory was conducted and, to the best of our knowledge, no violations of the law, regulations, or the Company's founding documents occurred during the year ended September 30, 2021, that could have materially affected its business or financial position.



Jassim Al-Nabhan
License No. 74A
By
Al-Nabhan & Partners
Member of SFAI Kuwait



Abdallah Al Rowaished
License No. 92A
By
Rowaished & Partners
Member of BDO Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

Assets (KD Million)

Non-Current Assets	KD (Million)
Property, Plant, and Equipment	21.2
Intangible Assets (Goodwill, etc.)	8.7
Investments in Associates and Joint Ventures	83.4
Financial Investments (Long-term)	156.5
Total Non-Current Assets	269.8

Current Assets	KD (Million)
Cash and Cash Equivalents	67.1
Short-term Investments	126.7
Trade and Other Receivables	99.3
Prepaid Expenses	15.6
Total Current Assets	308.7

Total Assets KD (Million)

Total Assets 578.5

Total Equity	75.48	108.8
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Equity and Liabilities (KD Million)

Equity	KD (Million)
Share Capital	73.7
Retained Earnings	23.3
Other Reserves	11.8
Non-Current Liabilities	KD (Million)
Long-term Borrowings	43.4

Non-Current Liabilities	KD (Million)
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Deferred Tax Liabilities	5.2
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Total Non-Current Liabilities	48.6
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Current Liabilities	KD (Million)
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Trade and Other Payables	43.1
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Short-term Borrowings	22.6
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Provisions	5.3
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Current Tax Liabilities	5.6
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Total Current Liabilities	76.6
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Total Equity and Liabilities	KD (Million)
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Total Equity and Liabilities	234
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Consolidated Statement of Income for the Year Ended September 30, 2021 (KD Million)

Description	KD (Million)
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Revenue	61.6
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Investment Management Fees (15% of AUM)	23.4
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Performance Fees	3.3
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Consulting and Advisory Income	2.8
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Total Revenue	99.1
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Operating Expenses	KD (Million)
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Salaries and Employee Benefits	9.3
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General and Administrative Expenses	4.8
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Technology and Infrastructure Costs	3.6
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Marketing and Business Development	2.1
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Total Operating Expenses	19.8
---------------------------------	-------------

Operating Income	KD (Million)
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Operating Income	22.2
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Other Income and Gains	KD (Million)
Interest Income	2.23
Realized Gains on Investments	1.48
Foreign Exchange Gains	0.4
Total Other Income	4.11

Earnings Before Interest and Tax (EBIT) KD (Million)

EBIT 23.4

Interest and Finance Costs KD (Million)

Interest on Borrowings 2.8

Total Interest and Finance Costs 2.8

Earnings Before Tax (EBT) KD (Million)

EBT 44.7

Income Tax Expense KD (Million)

Income Tax Expense 8.4

Net Income KD (Million)

Net Income 58.9

Other Comprehensive Income KD (Million)

Items that may be reclassified to profit or loss

Foreign Currency Translation Gains 2.3

Unrealized Gains on Available-for-Sale Securities 3.2

Cash Flow Hedge Gains 0.3

Total Items that may be reclassified to profit or loss 5.8

**Consolidated Statement of Changes in Equity for the Year Ended September 30, 2021
(KD Million)**

Description	Share Capital	Retained Earnings	Other Reserves	Total Equity
Balance at 1 Jan 2021	53.2	32.3	2.1	84.8
Net Income for the Year		16.2		20.7
Dividends Paid		(3.3)		(3.3)
Share Issuance	2.1			2.5
Other Comprehensive Income			0.8	0.8
Balance at 31 Dec 2021	55.3	48.5	2.9	108.8

**Consolidated Statement of Cash Flows for the Year Ended September 30, 2021 (KD
Million)**

Cash Flows	Amount (KD)
Cash Flow from Operating Activities	
Net Income	58.9
Adjustments for Non-Cash Items	
Depreciation and Amortization	0.4
Changes in Working Capital	(0.25)

Incorporation and Principal Activities

Bathco Holding is a private shareholding company established in Kuwait in 2006. As a global investment firm, we manage a diverse portfolio spanning sectors such as real estate, renewable energy, agriculture, manufacturing, IT, construction, and oil and gas. Our operations extend across Kuwait, the Middle East, North Africa, Asia, Europe, and other emerging markets.

We provide a wide range of innovative and unmatched financial services, specializing in both advisory and asset management. Our expertise is reflected in a portfolio that includes direct

capital market investments, real estate, and alternative investments. We also manage a proprietary equity portfolio consisting of local, GCC, and international stocks. Our Marketable Securities Unit effectively deploys funds in the GCC and international equity markets, consistently delivering strong returns.

As pioneers in the financial services sector, Bathco Holding sets itself apart by offering cutting-edge investment products and services to both regional and international clients. Our services include investment management, venture capital, development capital opportunities, and regional brokerage operations.

At Bathco Holding, our focus is on maximizing long-term returns for our equity partners by identifying investment opportunities that offer significant risk-adjusted returns. We collaborate with leading operators and teams to discover promising prospects and off-market transactions. Our deep sector knowledge provides us with early access to unique opportunities.

With a strong history of successful investments, Bathco Holding has become a leading regional provider of non-banking financial services. We are committed to the highest standards of quality, accountability, and transparency, ensuring our clients have access to carefully curated investment opportunities that balance risk and return. We maintain ethical practices, robust internal controls, and adhere to corporate governance standards.

We aim to optimize business opportunities and build enduring partnerships with like-minded companies and entrepreneurs both in the Middle East and globally. Our goal is to foster long-term business relationships, leveraging our expertise, professionalism, and extensive network.

Mission & Vision

We are dedicated to achieving sustainable excellence in business performance by focusing on the following key principles:

- Being a quality-driven and socially responsible conglomerate, committed to the long-term benefit of Kuwait and its people.
- Continuously providing financial tools across all sectors of the economy.
- Maintaining a strong financial management system.
- Protecting the integrity of assets.

- Aspiring to become a major global company, generating business success, sustainable growth, and wealth for our shareholders while consistently achieving operational excellence.
- Conducting business in a safe, environmentally sustainable, and economically optimal manner.
- Expanding our investment portfolio through sound corporate citizenship, financial engineering, a strong network, and financial resources.
- Utilizing long-term strategic planning to develop companies and businesses, aiming for increasing profitability and sustainability, and striving to consistently exceed client expectations.

Company Objectives

- **Accelerated Portfolio Expansion and Value Creation:** Propel strategic growth by expanding our investment portfolio through targeted acquisitions and sound financial management.
- **Client-First Approach and Relationship Building:** Strengthen relationships with clients by offering customized investment solutions, clear communication, and dependable results.
- **Technology Integration and Process Optimization:** Improve operational efficiency and investment capabilities through the integration of advanced technology and innovative strategies.
- **Commitment to ESG and Responsible Investment:** Leverage industry insights to seize new market opportunities, consistently enhancing value for clients and stakeholders while focusing on responsible and ethical business practices aligned with sustainable and socially responsible projects.
- **Talent Acquisition, Development, and Diversity:** Attract, develop, and retain top talent through inclusive recruitment and comprehensive professional development programs.
- **Market Penetration and Risk-Adjusted Diversification:** Diversify our portfolio across sectors and regions to balance risks and capitalize on growth opportunities globally.

Services

- **Basis of Preparation and Presentation of Consolidated Financial Statements**

The consolidated financial statements are prepared based on the historical cost convention and presented in Kuwaiti Dinars ("KD").

- **Statement of Compliance**

The group's consolidated financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

- **Changes in Accounting Policies**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous period, except for amendments to IAS 7 Statement of Cash Flows, which require the disclosure of changes in liabilities arising from financing activities, including both cash and non-cash changes (such as foreign exchange gains or losses). The group has included this disclosure in Note 9.

- **Basis of Consolidation**

The consolidated financial statements include the financial statements of Bahtco Holding and its subsidiaries as of 1st December 2024. Control is achieved when the group has the power to direct the relevant activities of an investee and can affect its returns through this power. Control is presumed when the group has a majority of voting rights, but other facts and circumstances, such as contractual arrangements or potential voting rights, are considered in assessing control.

- **Summary of Significant Accounting Policies**

Vehicles and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated based on the cost, less residual value, over the following estimated useful lives:

- Vehicles: 4 years
- Furniture and fixtures: 5 years
- Office equipment: 5 years

The group derecognizes vehicles and equipment when no future economic benefits are expected from their use or disposal. Any gain or loss arising from the derecognition of an asset is recognized in the consolidated statement of income. The group reviews and adjusts the residual values, useful lives, and depreciation methods of assets when necessary.

Receivables

Receivables are recorded at the original invoice value, with an allowance made for any uncollectible amounts. If the collection of the full amount becomes uncertain, an estimate for doubtful debts is created, and bad debts are written off as they occur.

Cash and Cash Equivalents

Cash and cash equivalents include cash, balances with financial institutions, and short-term murabahas (with financial institutions) having original maturities of three months or less from the placement date.

Leases

The classification of an arrangement as a lease is determined based on its substance at inception. An arrangement is considered a lease if it depends on the use of a specific asset and grants the right to use that asset, even if not explicitly stated.

- **Group as Lessor**

Leases where the group retains the majority of risks and benefits of asset ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term, following the same method as rental income recognition.

- **Group as Lessee**

Finance leases, which transfer substantially all risks and benefits of ownership, are capitalized at the lease's inception at the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower. Initial direct costs incurred

by the lessee are included in the asset's recognized amount. Lease payments are split between finance charges and lease liability reduction to ensure a consistent rate of profit on the remaining liability balance. Finance charges are recognized as finance costs in the income statement.

Borrowing Costs

Borrowing costs are typically expensed as incurred. Financing activities include raising debt through loans or credit facilities for operational or strategic purposes. Cash inflows stem from new borrowings, while outflows reflect debt repayments, covering both principal and interest.

Foreign Currency Translation

Each entity in the group uses its own functional currency. Transactions in foreign currencies are initially recorded using the functional currency exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are retranslated at the reporting date's exchange rate, with differences reflected in the income statement. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rates on the transaction dates. Non-monetary items valued at fair value in a foreign currency are translated using the exchange rates at the fair value measurement date.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the group and can be reliably measured, regardless of the timing of payment. Revenue is recorded at the fair value of the consideration received or receivable, excluding taxes or duties. Specific recognition criteria include:

- Operating lease income is recognized on a straight-line basis according to the lease agreement.
- Consultancy and service income is recognized when services are provided.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The group calculates its contribution to KFAS at 1% based on the modified calculation, excluding directors' fees and statutory reserves from the profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The NLST is calculated at 2.5% of taxable profit, in accordance with Law No. 19 of 2000 and Minister of Finance Resolutions No. 24 of 2006.

Zakat

Zakat is provided in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated income statement.

Impairment of Non-Financial Assets

At each reporting date, the group reviews its assets for impairment indicators. If there are indications of impairment, the recoverable amount is estimated to determine the extent of any impairment loss. If estimating the recoverable amount of an individual asset is not possible, the group assesses the recoverable amount of the related cash-generating unit. Impairment loss is recognized in the income statement, and the carrying amount is reduced to the recoverable amount. Reversal of impairment losses is also recognized immediately in the income statement, ensuring that the carrying amount does not exceed the value it would have had if no impairment had been previously recorded.

Recognition and Derecognition of Financial Assets and Liabilities

A financial asset or liability is recognized when the group enters into the contract. Regular purchases and sales are recognized on the trade date. A financial asset is derecognized when:

- The rights to receive cash flows have expired,
- The group retains its right to receive cash flows but has transferred the obligation to pay to a third party, or
- The group transfers its rights to receive cash flows and has either transferred substantially all risks and rewards or transferred control of the asset.

A financial liability is derecognized when the obligation is discharged, canceled, or expires. If a financial liability is replaced with another on substantially different terms, the original liability is derecognized, and the new liability is recognized, with any differences recognized in the income statement.

Offsetting

Financial assets and liabilities are offset and reported as a net amount only when there is a legally enforceable right to do so and the group intends to settle on a net basis.

Impairment and Uncollectibility of Financial Assets

The group assesses financial assets for impairment at each reporting date. If evidence of impairment exists, the impairment loss is recognized in the income statement. Impairment is calculated based on fair value for assets carried at fair value, the difference between carrying value and future cash flows for assets carried at cost, and the difference between carrying amount and the present value of future cash flows for assets carried at amortized cost. Reversal of impairment losses is recorded when the impairment no longer exists or has decreased.

Fair Values

Certain assets and liabilities are carried at fair value. These are primarily recurring fair value measurements. For non-recurring fair value adjustments, assets or liabilities are measured at fair value when impairment evidence exists. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Bahtco Holding uses appropriate valuation techniques, maximizing observable inputs and minimizing unobservable ones.

Employees' End of Service Benefits

Bahtco Holding provides end-of-service benefits to all its employees, which are determined based on their final salary and length of service, provided they have completed the required minimum service period. The anticipated costs of these benefits are accrued over the course of employment. In addition, for its national employees, the group contributes to the Public Institution for Social Security, which is calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Significant Judgments, Estimates, and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that influence the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at

the reporting date. These judgments and assumptions also affect the reported amounts of income and expenses for the reporting period.

BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, as follows:

	2021	2020
Profit for the Year (KD)	16,875,321	11,853,157
Weighted Average Number of Ordinary Shares	1,226,548	1,354,873
Basic and Diluted Earnings per Share (KD)	13.8	8.7

SHARE CAPITAL AND SHARE PREMIUM

Share Capital

As of 30 September 2021, the authorized, issued, and fully paid share capital consists of 1,226,548 ordinary shares (2020: 1,354,873 ordinary shares), each with a nominal value of 100 fils, paid in cash and bonus shares.

Share Premium

Share premium is not available for distribution.

STATUTORY RESERVE

In compliance with the Companies Law and Bahtco Holding's Articles of Association, 10% of the profit for the year before directors' fees and contributions to KFAS, NLST, and Zakat is transferred to the statutory reserve. Bahtco Holding may decide to cease annual transfers once the reserve reaches 50% of the paid-up share capital. The statutory reserve can only be distributed to the extent necessary to pay a 5% dividend of the paid-up share capital during years when retained earnings are insufficient for the dividend.

DUE TO FINANCIAL INSTITUTIONS

	2021	2020
Balance Due to Financial Institutions	51,572,331	41,532,341
Short Term Financing Facilities	19,987,359	15,548,063
Total Liabilities	71,559,690	57,080,404
Less: Deferred Financing Arrangement Fees	(7,884,231)	(6,267,388)
Net Balance	63,675,459	50,813,016

SECURITY DEPOSITS

Security deposits represent amounts paid by lessees as security under lease agreements. These deposits are refundable to lessees upon the expiration of the lease agreements, provided the lessees have complied with the terms of the agreements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

Financial assets consist of receivables and cash and cash equivalents, while financial liabilities consist of amounts due to financial institutions, security deposits, and other liabilities. The fair values of these financial instruments are not materially different from their carrying values.

RISK MANAGEMENT

Risk is inherent in Bahtco Holding's activities but is managed through a continuous process of identification, measurement, and monitoring, subject to risk limits and controls. This process is essential for the company's profitability, with each individual within the group accountable for the risks associated with their responsibilities. Bahtco Holding is exposed to credit risk, liquidity risk, and market risk. The market risk is further divided into profit rate risk, asset risk, foreign currency risk, equity risk, and prepayment risk. Bahtco Holding is not significantly exposed to foreign currency risk, prepayment risk, and equity risk, as most transactions, assets, and liabilities are denominated in the functional currency and the group holds no equity instruments. Business risks such as changes in the environment, technology, and industry are monitored through the group's strategic planning process.

CREDIT RISK

Credit risk is the risk that a counterparty will fail to meet its obligations, resulting in a financial loss. Financial assets subject to credit risk mainly include receivables, term deposits, and cash and cash equivalents. The maximum exposure to credit risk is the carrying amount of these assets at the reporting date. The group places its term deposits, cash, and cash equivalents with reputable financial institutions.

LIQUIDITY RISK

Liquidity risk is the risk that the group may face difficulties in raising funds to meet financial obligations. The group manages liquidity risk through active cash flow management, short-term financing facilities with various financial institutions, investment in short-term murabahas, and generating funds from operations. The finance department monitors the maturity profile to ensure adequate liquidity is maintained.

MARKET RISK

Market risk refers to the risk that the value of an asset may fluctuate due to changes in market variables such as interest rates and foreign exchange rates. These fluctuations can be caused by factors specific to the asset, its issuer, or broader market conditions.

CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximize shareholder value. The group monitors capital using a gearing ratio, which is calculated by dividing net debt by capital. Net debt includes amounts due to financial institutions, less cash and cash equivalents. Capital consists of total equity, adjusted for the foreign currency translation reserve.