

# BOARD OF DIRECTORS' REPORT

Dear Esteemed Shareholders,

It is the utmost pleasure for the Board of Directors of Noor Financial Investment Company to have your presence at the Company's ordinary general assembly meeting. The Board of Directors is pleased to present you the annual report and audited financial statements of the Company for the year ending on December 31, 2020, asking Almighty Allah to grant us success and guidance.

## Company's Operations:

Despite the exceptional challenges posed by the Coronavirus pandemic, the Company achieved a net profit of KD 11.86 million, an increase of 46.8% compared to the previous year. The Company also recorded a growth in Shareholders' Equity; reaching an amount of KD 66.88 million as of 31 December 2020 compared to KD 64.62 million at the end of previous fiscal year. Noting that the Shareholders' Equity does not reflect the full market value of Company's investment in associates except in the event of sale, in line with the approved accounting standards.

## Alternative Investments:

Despite the ongoing impacts of Coronavirus pandemic, Meezan Bank – one of the Company's investment – recorded stronger than expected performance across the board. This year, the Bank set an all-time profitability record of PKR 22.4 billion (US\$ 139.5 million), growing forty-three percent year on year and leading to 34% return on equity. Market value of Company's 35.25% stake in Meezan Bank, which is carried at KD 52 million in the books, increased to KD 98.4 million as of 31 December 2020 compared to KD 84.4 million as of 31 December 2019, growing by sixteen percent. Company's share of results of Meezan Bank stood at KD 14.8 million (2019: KD 10.8 million) providing a growth of more than 37%.

In parallel, the Company obtained the required initial approvals for the merger of its subsidiary, Noor Telecom Company KSCC, with the Company through amalgamation. Independent valuations were conducted for both the companies during the year 2020, and the Company submitted the merger project to the Capital Markets Authority, which issued its approval for it. After obtaining remaining approvals from official authorities, the merger project and the proposed share swap rates will then be submitted to the general assemblies of both the companies for approval or rejection. It is expected that the merger will bring better operating efficiencies in the Group after expected completion in the year 2021, once shareholders decide to approve the merger.

With respect to the Company's investment in the hotel industry, which is one of the most affected industries globally due to the pandemic, our hotel subsidiary in Jordan continued its activities at a limited scale. The subsidiary recorded a 58% decline in its revenues; which led to an operating loss of KD 570 thousand for the year 2020. We expect the subsidiary to rebound its performance once Covid-19 related restrictions are eased on the industry. We carried out an impairment testing for our assets in the subsidiary which did not lead to any impairment loss.

On the other hand, the Company also had a partial exit from one of the Company's private equity funds, which generated cash liquidity of KD 460 thousand.

On the real estate side, the Company's real estate portfolio was resilient despite the significant impact on the sector during the year. In line with the market recovery and the end of lockdown, the Company's rental income from real estate resumed during the third quarter and the occupancy reached more than 90% in key properties. The value of the Company's investment properties amounted to KD 13.1 million as of December 31, 2020, which generated rental income of KD 473 thousand during the year in spite of the rent waived for part of the year due to the lockdown.

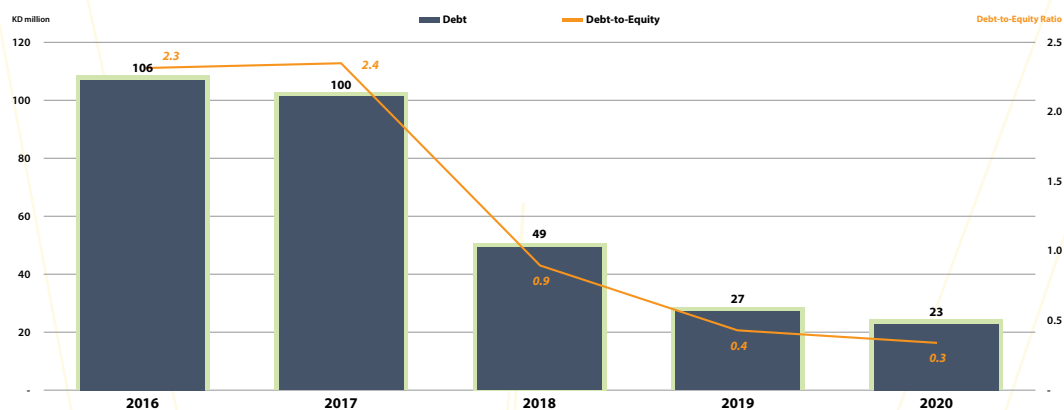
## Marketable Securities:

The Company sold marketable securities of KD 3.6 million during the year 2020 from a total portfolio of KD 20.2 million. Liquidity generated from the sale of securities was utilized to reduce Company's debt. Company's portfolio of marketable securities stood at KD 14.3 million as of 31 December 2020 which is mainly GCC focused.

Noor's GCC Islamic Fund, which was awarded as the best fund over 3 years in EQUITY GCC (GULF COOP CNCL) category by Lipper Fund Awards from Refinitiv during the year 2019, has reported a performance of 3.21% for the year as opposed to a 1.83% performance in the benchmark.

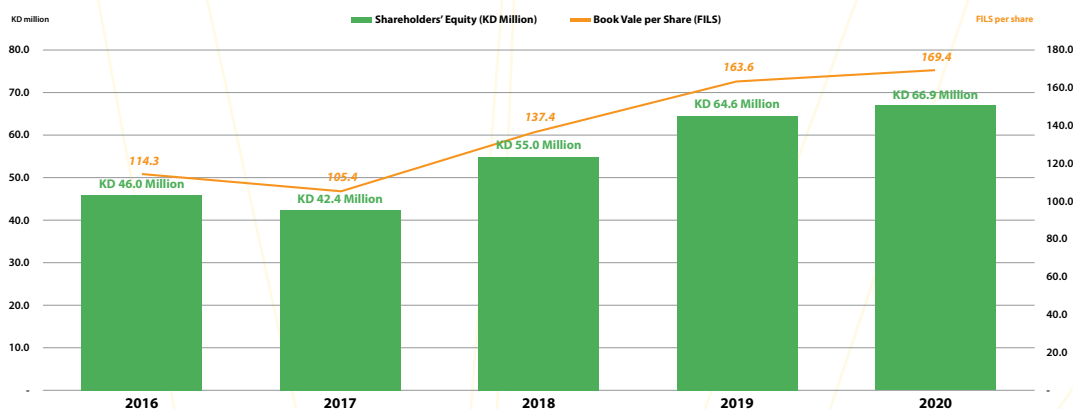
## Borrowings:

The Company is recognized for systematically reducing its debts based on a clear plan. It maintained growth and reduced liabilities in parallel, as the ratio of debt to equity reached 0.34, which is very low in the investment sector and is an important indicator of the general performance of the company and its ability to expand in the future. The Company's debt was reduced from KD 27.4 million to KD 22.7 million during the year by paying KD 4.7 million to the lenders including KD 1.2 million prepayment for the installments due in 2021. The Company posted a total reduction of KD 77 million in debt over past three years.



### Shareholders' Equity:

The Shareholders' Equity stood at KD 66.88 million as of 31 December 2020 leading to a record book value per share of FILS 169 after payment of FILS 6 dividend per share during the year 2020.



The performance indicators and the aforementioned information have reflected positively on the Company and have strengthened its position in the market. It is made possible by the distinguished efforts and continuous hard work of the Board of Directors and the executive team in exploring opportunities to reduce liabilities and achieve expansion and growth. The Company aims to build a new range of products and services in the financial services and investment sector, as well as explore new avenues for investments in the future.

### Company's Financial Performance:

The total income of the Company in the Consolidated Statement of Profit or Loss for the year 2020 was KD 28.5 million representing KD 14.8 million share of profits of associates, KD 13.3 million revenue from the operations of the subsidiaries in the IT and hotel industries and KD 0.4 million from other investments. Total income declined by 5% mainly due to drop in the local stock market. The Company posted an operating profit of KD 13.1 million for the year 2020 compared to KD 13.7 for the previous year. Finance cost for the year was reduced by 39% due to the reduction in debt and lower interest rates.

The Company achieved a net profit attributable to the owners of the Parent Company of KD 11.86 million (EPS of 30.02 FILS) for the financial year ended 31 December 2020 compared to a net profit of KD 8.1 million (EPS of 20.24 FILS) for the previous year.

### BOD Recommendations:

The Board of Directors recommended to the Company's general assembly to distribute cash dividends to the shareholders at the rate of 6% of the nominal value of the share capital for the year ended December 31, 2020 (2019: 6% cash dividends), which is subject to the approval of Company's general assembly and competent authorities. The Board of Directors also recommended to distribute a total amount of KD 165,000 as remuneration to the Board of Directors for their work during the fiscal year 2020, which is subject to the approval of Company's general assembly.

In conclusion, the members of the Board of Directors extend their sincere thanks and gratitude to the Company's shareholders, customers, and all stakeholders for their confidence and support over the years. The Board also expresses sincere thanks and appreciation to all employees of the company for their sincere efforts, continuous dedication to work and their constructive contributions.

### The Board of Directors