



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





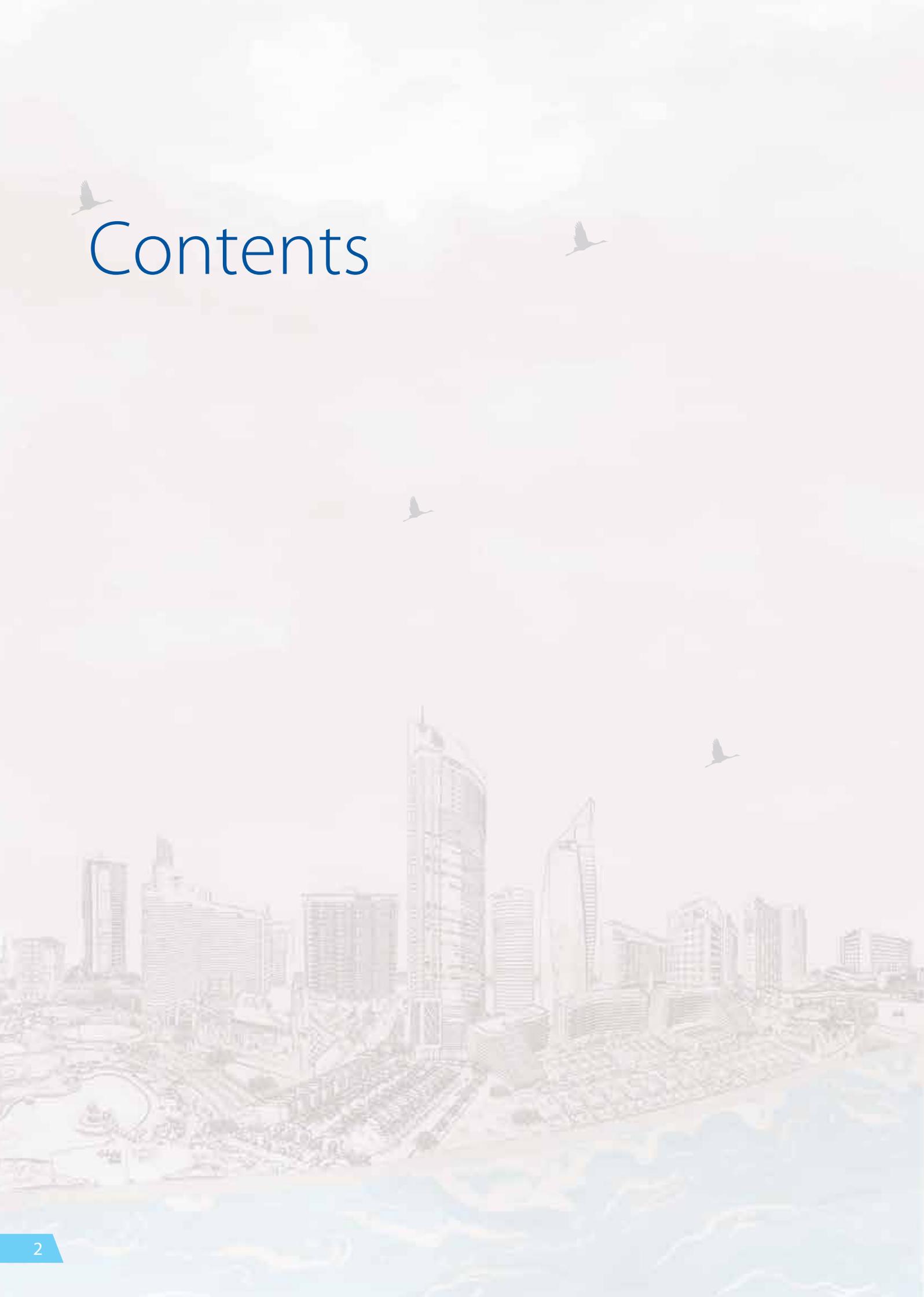
His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait



His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait



His Highness
Sheikh Sabah Khaled Al-Hamad Al-Sabah
Prime Minister of the State of Kuwait



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Board of Directors





Mr. Abdulfatah M.R. Marafie
Chairman



Mr. Adwan Mohammad Aladwani
Vice Chairman



Mr. Hussain Abdulla Jowhar
Board Member



Mr. Ebrahim Mohammad Alghanim
Board Member



Mr. Faisal I. Al Musallam
Board Member



Mr. Abdulaziz M. A. Al Hasawi
Board Member



Eng. Abdulmuttalib A.M. Marafie
Board Member



Mr. Talal J. Al Bahar
Board Member

Chairman's Statement



May Peace and mercy of Allah and his blessings be upon you,,,

Dear / Shareholders,

On behalf of my colleagues and members of the Board of Directors, I am pleased to welcome you to the Annual General Assembly, and I begin our meeting by thanking Allah Almighty and I would like to express my profound gratitude to the shareholders for their confidence, faith and support they have placed upon us and in our ability as a team to achieve the desired results and objectives of the company.

The members of the Board of Directors and I are pleased to present to you the Annual Report of the company with the results of the year 2019, our achievements, as well as the efforts made by your brothers to enhance our performance and achieve the desired goals to ensure the best interest of shareholders.

Dear Shareholders,

The Board of Directors were keen on following up on the implementation of strategies and achieving the unlimited ambitions and thanks to Allah and thanks to the preparation, study and continuous follow-up, we were able to achieve many accomplishments whose impact was evident on the financial statements of the company, where the company was able, thanks to Allah Almighty, achieve a Net profit amounting to KD 14,583,884 (Fourteen Million five hundred eighty three thousands eight hundred eighty four Kuwaiti Dinars only), return on equity 4.95%, return of consolidated profits on total assets 3% and return on paid-up capital of the company 8.2%.

Based on the results achieved, the Board of Directors recommended a cash dividend of 5% of the nominal value of the share, and distribution of bonus shares 3% of the share capital (3 shares for each 100 shares). It is worth mentioning that the recommendations of the Board of Directors on the distribution of profits were developed on the basis of a thoughtful systematic methodology and in accordance with the future vision and the operating revenues of the company in order to create value added to shareholders.

Dear Shareholders,

The company always strives to raise its investments and projects, whether they are still under implementation or future projects, to be at the level of your ambitions and aspirations, and also seeks to maintain continuous growth rates and enhance profit margins. The Symphony Tower project in the Kingdom of Bahrain is one of those promising projects that is nearing completion, Allah willing. This project is divided into two parts, the first for sale and the other for rental after completion. We note that the percentage of sales of housing units is constantly increasing and has reached more than 50% of the units offered for sale.

Also, the company opened Boulevard ballroom, which covers an area of approximately 2,000 square meters. It consists of a luxurious multipurpose hall which is suitable for wedding, events, exhibitions etc along with meeting room, and a bridal room. The Ballroom received a large turnout from companies and individuals to hold various events as it meets all the needs of customers in addition to its distinctive strategic location surrounded by green spaces and the availability of ample parking spaces.

The company's accomplishments are not limited to the aforementioned, but also include other non-material aspects, nevertheless they also contribute to enhancing the company's position on the local, regional and global levels. The company today seeks to achieve the principle of sustainability to raise the efficiency and methods of work in all its aspects, without losing sight of the distinguished role of continuing to launch and sponsor social campaigns in the fields of health, education, environmental development, and childcare in order to enhance its vital role in the field of social responsibility and its keenness to apply the principles of corporate governance. The most important campaigns included "Plant a Tree in My Country " campaign, "Take Time out of your busy life to save a life" blood donation campaign, KAACH group visits, "Ishraqat Amal 7", the weekly and Ramadan "Rafad" charity campaign, and "Donate a toy...share the joy" campaign. All of these campaigns come under the slogan of Al Tijaria "We Care".

Dear Shareholders,

In conclusion, I would like to extend my sincere thanks to the shareholders for your faith and confidence in us without which this success would not have been possible and I invite you to advise us with your valuable opinions as always in order to incorporate your views with our efforts and our continuous endeavor to achieve the desired goals. As always, our shareholders, the policy of the open door to manage the company is one of our most important practical slogans, accompanied by transparency in providing information.

We ask Allah to protect Kuwait and its people from all evils under the leadership of His Highness the Amir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and his Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and his Highness the Prime Minister Sheikh Sabah Khaled Al-Hamad Al-Sabah. May Allah bless and protect them all always.



Abdulfatah M.R. Marafie
Chairman

Governance Report:

Governance

The Commercial Real Estate Company is the first and leading company in the implementation of the governance standards of "Good Governance" in Kuwait. The Board of Directors has taken upon itself the responsibility of complying with the governance standards which were announced at the Ordinary General Assembly for the financial year ending 31/12/2011, through the application of best practices and a package of policies, procedures and mechanisms. The Board of Directors, consisting of eight members (including two independent members), adopted the organizational structure and governance guide which defines the responsibilities, powers and channels of communication between different administrative levels, and also regulates the relationship between shareholders, board of directors, executive management and stakeholders.

Also, several committees emanating from the Board of Directors have been formed to follow up the application of best practices. The governance guide outlined the composition, functions, powers and responsibilities of these committees and their working mechanism, as well as the evaluation of the committees, the executive management, the board of directors, the determination of shareholders' rights, the development of ethical business codes and organizational policies of the Company. The Board of Directors of the Company has also set up a system of financial, administrative and operational powers that define the powers of the Executive Management, the committees emanating from the Board of Directors and the Board of Directors.

In 2019, the Company committed itself to implementing all standards of governance in accordance with best practices and submitted the reports to the regulatory authorities on the specified dates. The Governance Committee and the Board of Directors have also supervised the implementation process through periodic reports submitted to the Committee and the Board. The Board did not witness any deviations from the adopted policies and rules or regulatory directives on governance applications.

1st Rule - Building a balanced structure for the Board of Directors

Board of Directors

The Board of Directors is accountable to the general assembly of shareholders and is responsible for protecting the interests of the company, developing its business and achieving its strategy. The Board of Directors shall be fully responsible and aware of the company's vision, mission, objectives and general strategy to achieve shareholder expectations. The Board of Directors shall also work to avoid a conflict of interest provided that the priority shall always be for the benefit of the company.

#	Name	Position	Membership	Academic Qualification	Date of election / Appointment of the Secretary
1	Mr. Abdulfatah M.R. Marafie	Chairman	Non- Executive	Bachelor of Commerce / Industrial Management 37 years of experience	April 9th, 2018
2	Mr. Adwan Mohammad Aladwani	Vice Chairman	Non- Executive	Bachelor of English Literature 38 years of experience	April 9th, 2018
3	Mr. Ebrahim Mohammad Alghanim	Board of Directors	Non- Executive	Bachelor of Science in Marine Engineering 42 years of experience	April 9th, 2018
4	Mr. Hussain Abdulla Jowhar	Board of Directors	Non- Executive	Master of Business Administration 37 years of experience	April 9th, 2018
5	Mr. Abdulaziz M. A. Al Hasawi	Board of Directors	Independent	Bachelor of Business Administration 34 years of experience	April 9th, 2018
6	Mr. Faisal I. Al Musallam	Board of Directors	Independent	Bachelor of Accounting 27 years of experience	April 9th, 2018
7	Eng. Abdulmuttalib A.M. Marafie	Board of Directors	Executive	Bachelor of Engineering / Master of Business Administration 16 years of experience	April 9th, 2018
8	Mr. Talal J. Al Bahar	Board of Directors	Non- Executive	Bachelor of Business Administration 15 years of experience	April 9th, 2018
9	Mrs. Eman Amin Muqadem	Secretary	Secretary	Bachelor of Business Administration 20 years of experience	April 9th, 2018

Meetings Attendance Schedule							
		1-2019	2-2019	3-2019	4-2019	5-2019	6-2019
Board Member	Title	Feb 11	Mar 5	May 14	Aug 6	Nov 12	Dec 17
Mr. Abdulfatah M.R. Marafie	Chairman	✓	✓	✓	✓	✓	✓
Mr. Adwan Mohammad Aladwani	Vice Chairman	✓	✓	✓	✓	✓	✓
Mr. Ebrahim Mohammad Alghanim	Non – Executive Member	✓	✓	✓	✓	✓	✓
Mr. Hussain Abdulla Jowhar	Non – Executive Member	✓	✓	✓	✓	✓	✓
Mr. Abdulaziz M. A. Al Hasawi	Independent Member	-	-	✓	-	✓	✓
Mr. Faisal I. Al Musallam	Independent Member	✓	✓	✓	✓	✓	✓
Eng. Abdulmuttalib A.M. Marafie	Executive Member	✓	✓	✓	✓	✓	✓
Mr. Talal J. Al Bahar	Non – Executive Member	✓	✓	✓	✓	✓	✓
Mrs. Eman Amin Muqadem	Secretary	✓	✓	✓	✓	✓	✓

Coordination for board meetings, recording and archiving meeting minutes

The Secretary of the Board of Directors was appointed from among the employees of the company by a decision issued by the Board of Directors, and his duties were defined in line with the level of responsibilities assigned to him, which include the following:

- Coordinate and prepare for Board meetings, including appointments, agenda, documents, etc., and provide members with them three working days before the meeting.
- Record and save all board meeting minutes, records, and reports submitted to and from the board.
- Record the number of meetings of the Board of Directors in consecutive numbers for the year in which the meetings are held, meeting place, date, time of the beginning and conclusion, and registering the names of those present and absent from the meeting, with mentioning the reasons for absence, and mentioning the persons present from outside the Board.
- Recording the proceedings of the meetings in accordance with the agenda items and any other work, resolutions, recommendations and observations taken.
- Sufficient discussion of topics on the agendas of the meetings with the utmost transparency, provided that the members are provided with information that enables taking decisions, and the decisions taken and all facts including reservations (if any) are recorded in the minutes of meetings.
- Adoption of the agenda by the Board of Directors. In the event that a member objects to the schedule, details of such objection shall be written down in the minutes of the meeting.
- Approving and signing minutes of meetings by all members of the Board of Directors present and the Secretary.
- Keeping the original minutes of meetings and obtain copies of minutes of approved board meetings and related documents.
- Maintaining a special record to record the Board of Directors' summary, provided to include all the above information.

2nd Rule - Proper identification of tasks and responsibilities

Board of Directors Responsibilities

The board of directors of the company assumes all the powers and authorities necessary for management, and the ultimate responsibility for the company remains with the board, even if it forms committees or delegates other entities or individuals to carry out some of its actions. The board must avoid issuing general or unlimited mandates. The duties and responsibilities of the Board of Directors include the following:

1. Approve the Company's important objectives, strategies, plans and policies, including the following, at a minimum:
 - The company's overall strategy and key business plans, with reviewing and directing them.
 - The optimal capital structure of the company and its financial objectives.
 - A clear policy for the distribution of profits of all kinds (cash / in kind) and in the interests of the shareholders and the company.
 - Setting goals and monitoring performance and implementation.
 - Adopting organizational and functional structures in the company and conducting periodic review thereon.
2. Approving annual estimated budgets and approving interim and annual financial statements.
3. Oversee the company's main capital expenditures, and possess and dispose of the assets.
4. Ensure the company's compliance with policies and procedures that ensure the company's respect for the applicable internal regulations and laws.
5. Ensure the accuracy and integrity of data and information to be disclosed in accordance with applicable disclosure and transparency procedures.
6. Providing effective channels of communication that will allow the shareholders to have constant and periodic access to the various aspects of their activities and the significant developments.
7. To develop and supervise the system of governance and conducting general supervision over it, and to monitor its effectiveness and adjust it when needed in accordance with best practices.
8. Monitor the performance of each member of the board of directors and executive management according to objective performance indicators KPIs.
9. Preparing an annual report to be read in the annual general assembly of the company that includes requirements and procedures for completing corporate governance rules and the extent of compliance with them, provided that this report is included in the annual report prepared on the company's activities with a statement of the rules that have been adhered to and the rules that have not been adhered to with justifications for non-compliance According to the requirements of governance.
10. The formation of specialized committees emanating from it in accordance with a charter that clarifies the duration, powers and responsibilities of the Committee and how the Board monitors them. The formation decision also includes naming the members, defining their tasks, rights and duties, as well as evaluating the performance and work of these committees.
11. Ensure that the organizational structure of the company is transparent and clear so as to facilitate the decision-making process and achieve the principles of good governance, and separate the Powers and Authorities among the Board of Directors and the Executive Management. Accordingly, the Board of Directors shall:
 - Adopt the internal regulations and laws related to the work of the company and its development and the subsequent determination of the tasks, competencies and responsibilities among the different organizational levels.
 - Adopt the policy of delegating and implementing the works entrusted to the executive management.

12. Determining the powers delegated to executive management, decision-making procedures and duration of delegation. The Board shall also determine the subjects for which the power to decide is held and the executive management shall submit periodic reports on its practices of delegated authority.

13. Supervising and control over the performance of the members of the executive management and ensuring that they perform all their tasks. The Board of Directors shall carry out the following:

- Ensure that the executive management operates in accordance with the policies and regulations approved by the Board of Directors.
- Holding periodic meetings with the executive management to discuss the work progress and any obstacles and problems and to present and discuss important information related to the company's activity.
- Setting performance standards for executive management consistent with the company's objectives and strategy.

14. Defining the bonus segments to be awarded to employees, such as the fixed bonus segment, the performance bonus segment, and the bonus segment in the form of shares.

15. The appointment or dismissal of any member of the executive management, including the chief executive officer and the like.

16. Develop a policy that regulates the relationship with stakeholders in order to preserve their rights.

17. Establish a mechanism to regulate transactions with related parties in order to reduce conflicts of interest.

18. Ensure, periodically, the effectiveness and adequacy of the internal control systems in force in the Company and its subsidiaries, including:

- Ensure the integrity of the financial and accounting systems and regulations relevant to the preparation of financial reports.
- Ensure the application of appropriate control systems to measure and manage risk by identifying factors and types of risks that the company may face, and establish a risk-sensitive environment at the corporate level and transparently communicate them to the related stakeholders and parties.
- Recommending the appointment of independent auditors.
- Recommending the appointment of the Shari'a Supervisory Board.
- Approving codes of conduct, work ethics and work policies and procedures of the company.

Executive Management

Name	Title
Mr. Saleh Ahmad Al-Aryan	C.E.O Admin & Legal Affairs Group
Eng. Abdulmutaleb A.M. Marafie	C.E.O Technical Affairs Group & Properties Group
Eng. Yousef Ghazi Al Saqabi	Assistant C.E.O Technical Affairs Group
Mr. Tamer Said Mansour	Finance Dept. Manager
Mr. Fuad Hassan Zaarour	Accounting Dept. Manager
Mr. Mansour Mohsen Kamal	Internal Audit Dept. Manager
Mr. Ramchander Sundaram Sundaram	Strategic Planning & Investment Dept. Manager
Mr. Essam Mohamed Refaat Mahmoud	Legal Affairs Dept. Manager
Mr. Ahmed Esmail Elkalshy	HR & Admin Affairs Dept. Manager
Mr. Nisanth Kondiara Chandran	Facilities Management Dept. Manager
Mr. Emad Al Haniny	IT Manager
Mrs. Eman Muqadem	Chairman's Office Dept. Manager
Eng. Fatemah Amin Marafie	Projects & Projects Control Dept. Deputy Manager
Mrs. Eva Saaed Awwad	Property Management Dept. Deputy Manager

Tasks and Responsibilities of Executive Department:

The activities of the company shall be carried out by the executive department under the supervision and guidance of the chief executive officers with the purpose of achieving a balance in the relationships between the company and its employees, investors and customers, and to ensure the work within the purposes of the company and devote its resources in a suitable manner to meet its objectives in line with the company's policy and strategy.

Tasks of Executive Management:

1. Implementing the strategy and all plans, policies, regulations, and internal systems of the company that are intentional by the Board of Directors.
2. Developing an integrated accounting system that maintains books, records and accounts that reflect accurately and in details the financial statements and accounts to maintain the Company's assets and preparing the financial statements in accordance with International Accounting Standards.
3. Managing all activities and human and financial resources effectively in order to maximize profits reduce expenses and achieves strategic goals of the company.
4. Implementing the company's strategic plans and all that is relating to them including internal policies and regulations and ensure their adequacy and effectiveness.
5. Effective participation in building and developing a culture of ethical values in the company.
6. Bearing responsibility for the overall performance of the company and its business results through the establishment of a governance structure that promotes accountability and transparency.
7. Providing timely and accurate information and reports to the board of directors.
8. Providing recommendations regarding the strategy and plans pursued with the aim of improvement and development through deliberate plans to ensure their adequacy and effectiveness.
9. Submitting the proposals and reports about the powers and authorities granted to the executive department.
10. Following up the implementation of the powers and responsibilities granted in accordance with the approved terms of reference.
11. Developing, modifying and updating policies and procedures, discussing and approving them in order to ensure the best application.
12. Supervising and following-up in order to ensure the applicable implementation of the laws and regulations and policies including the governance manual by the employees in order to achieve the company's strategy and prepare reports containing the recommendations on the obstacles and the required violations based on the application results.

Achievements of Executive Department:

- Follow up on the implementation of the goals according to the company strategies and plans.
- Discuss and approve the estimated budget.
- Review and approve the company's intirm and annual financial statements.
- Study and approve the policies and procedures for all departments in the company.
- Following up the implementation of the requirements of the Capital Markets Authority for Corporate Governance, which required the following to be done:
 1. Follow up the work and decisions of the committees emanating from the Board of Directors.
 2. Follow up on the work and reports of the Internal Audit Unit and take the necessary corrective actions.
 3. Follow up on the work and reports of the risk management unit.
 4. Approving the corporate governance report.
 5. Monitor the progress of work.
 6. Carrying out a self-evaluation for both the Board of Directors and its members and the executive management.

Forming the Committees of the Board of Directors

The board of directors shall form permanent and temporal committees under the purpose of distributing the tasks and committees of the board of directors among the members of the board and the executive management and provide sufficient time to sufficient discussions for all the aspects of the work and support the board to act on its behalf in some of the limited tasks and raise the periodical reports and recommendations.

The members of the committees are appointed by the board of directors. The members take care of the alternation question periodically according to what is deemed as suitable by the board. A sufficient number of the non-executive board of directors is appointed in the concerned committees in addition to the independent members according to the best practices and instructions regulating it. Each committee shall have its private charter which identified the purpose of the committee not to mention the required qualifications for the membership of the committee.

The committees following the board of directors shall be formed according to the general procedures made by the board of directors including identification of the tasks of the committee, the period of its work and the powers granted to it during this period and how the board of directors controls it. The committee shall inform the board of directors with its activities or the results reached by it, or the decisions that are taken with absolute transparency. The board of directors shall follow up the works of the committee periodically in order to make sure that it will perform the works assigned to it. The board of directors certifies on all the work charters of the committees.

The requirements of the committee members:

- The member shall have the abilities, the suitable qualifications, sufficient experience and locality to perform the tasks and responsibilities.
- The member shall have full knowledge of the financial, accounting and administrative rules of the membership of risks and auditing committee.
- The member shall have no direct or indirect interest in the works and contract made for the account of the company.
- The committeeman shall adhere to the rules followed by the member of the board of directors including keeping secret of all information and not disclose the company's secret.

Membership of the committee:

- The number of the members of each committee shall not be less than three and not exceed five members.
- The period of the committee membership shall be from one to three years and shall not exceed the remaining period of the membership of the board of directors.
- The board of directors shall appoint an alternative member if he occupied the position of one of the committee member.
- Every committee chooses a chairman from its members in the first meeting or the meeting of the board of directors. The rapporteur / the secretary is selected from the company's employees.

Summary of how the members of the Board of Directors obtain information and data in accurate and timely manner

The company follows an accurate system of providing reports and information at all administrative levels at the level of executive management, committees, and board of directors, including many types of weekly, monthly and quarterly reports as well as reports of immediate nature, which are related to information that require immediate decision making. The company has developed several requirements in the reporting system:

- Briefness, accuracy and materiality in the presentation of information so that the information and data presented in the report are highly inclusive and consistent, to be concise and accurate, and to be material and important information to facilitate the decision-making process.
- Periodicity of the presentation of reports, where the report is updated with the latest information and updates, and is prepared according to specific time frames and sequential manner, which are provided at the appropriate time (three days before holding the meeting, with the exception of emergency meetings) to ensure the provision of adequate time to study the information.
- The IT infrastructure was developed for commercial purposes, in particular reporting systems, to ensure that all reports are prepared with a high degree of quality and accuracy, and that they are submitted to the members of the Board in a timely manner.

Governance Committee

Tasks and responsibilities:

The Corporate Governance Committee aims to verify the preparation, follow-up and monitoring of the application of the principles of governance and adherence to the instructions, regulations and laws issued by the various supervisory authorities in this regard, and the appropriateness of the policies, regulations and procedures applied in the company to these instructions and take corrective and preventive steps whenever necessary, in a manner that achieves a balance and harmonization of powers by the company's management and the protection of the rights of shareholders and stakeholders for the benefit of the company.

1. Reviewing, modifying and approving principally the governance manual and its harmony with the stated requirements from the capital market authority and the other supervising authorities before submitting it for the board of directors for final approval.
2. Supervising and monitoring the application of governance principles and frameworks approved by the board of directors in accordance with the governance manual.
3. Permanent and continuous reviewing of decisions, laws and instructions issued by regulatory authorities regarding rules and practices of governance and submitting recommendations to the board of directors regarding the changes it deems necessary for the development and application of standards and new practices.
4. Supervising the preparation of the corporate governance and annual report and approving it for submission to the board of directors for final approval.
5. Supervising the preparation of the annual social responsibility plan and submitting it to the board of directors for final approval and supervising the implementation of the social responsibility plan.
6. Informing the board of directors with the latest developments, decisions and laws issued by the various regulatory bodies.
7. Reviewing the report of cases brought from and against the company and verifying the reasons and the current situation and making recommendations thereon.

The Committee Achievements

The committee submits all its recommendations to the board of directors, and its achievements include the following:

- Submit recommendations to the board of directors regarding the social responsibility plan.
- Submit recommendations to the board of directors regarding updating the Corporate Governance Manual of Al Tijaria.
- Submit recommendations to the board of directors regarding reviewing the corporate governance report and the annual report.
- Providing members of the Board of Directors and the Executive Management with all decisions and instructions issued by the Capital Markets Authority quarterly.
- Providing members of the Board of Directors and Executive Management with all the company's disclosures for both the Kuwait Stock Exchange and the Capital Markets Authority quarterly.

Formation of the Governance and Meetings Committee

Name	Title	Date	Duration	1-2019 March 3	2-2019 November 11	3-2019 December 17
Mr. Abdulfatah M.R Marafie	Chairman	9 April 2018	Duration of the board's work	✓	✓	✓
Mr. Hussain Abdulla Jowhar	Vice			✓	✓	✓
Mr. Faisal I. Al Musallam	Member (Independent)			✓	✓	✓
Mrs. Eman Amin Muqadem	Rapporteur			✓	✓	✓

Tasks and responsibilities:

The Audit and Risks Committee aims to assist the Board of Directors in carrying out its responsibilities to verify compliance with the auditing standards and the effective application of the various policies of the company, identify weaknesses and work to take corrective measures in this regard. As well as working to manage the risks that the company may be exposed to, setting the necessary controls to work to reduce them, and determining the risk tendency of the company and the acceptable proportions of it against the expected benefits and submitting the related recommendations to the Board of Directors.

1. Reviewing the interim and annual financial statements and the external auditor's report and approving them in principle before submitting them to the board of directors for final approval in order to ensure the fairness and transparency of financial reports.
2. Ensuring the adequacy and comprehensiveness of the scope of the external audit, verifying the independence of the external auditor of the company and limiting the factors which may weaken its independence and making sure that there is coordination in the works of the external auditors.
3. Studying the observations of external auditors about the financial statements of the company and follow up what has been done.
4. Studying the accounting principles and policies of the company and examine any changes therein that may affect the financial position of the company and determine the reasons of these changes.
5. Reviewing and approving the annual internal audit plan.
6. Supervising internal audit work and reviewing and approving the scope and periodicity of audit work.
7. Reviewing the internal audit reports of the different departments of the company, discussing the comments received thereon, taking decisions and identifying the persons implementing them and the expected time for implementation.
8. Following-up the implementation of the agreed correction procedures in accordance with a specific timetable.
9. Reviewing the reports of the regulatory bodies and ensuring that the necessary procedures have been taken.
10. Reviewing the reports of the Shari'a supervising authority before submitting them to the board of directors for approval.
11. Reviewing and approving principally the policy and procedures manuals for the internal audit department.
12. Ensuring that the Company complies with the relevant laws and instructions.
13. Recommending the appointment, transfer, removal, performance evaluation and performance of the internal audit manager.
14. Making recommendation to the board of directors to appoint, reappoint or change external auditors and determine their fees.
15. Reviewing transactions and dealings with the related parties and making appropriate recommendations thereon to the board of directors.
16. Convening periodic meetings independently with the external auditor and at least four times with the internal auditor as well as in the necessary based on the request of the committee.

17. Study and recommendations of the Board regarding periodically checking the effectiveness and adequacy of the internal control systems in force in the company and its subsidiaries, including:
 - Nominating an accredited body to the board to appoint an auditing office accredited by the authority to prepare the Qar report, a quality assurance report every three years.
 - Nominate an accredited body to the Board to appoint an audit office to prepare the ICR Internal Oversight Report annually.
 - Ensuring the integrity of the financial and accounting systems and regulations related to the preparation of financial reports.
 - Ensuring the application of appropriate control systems to measure and manage risks by identifying factors and types of risks that the company may face and creating an environment familiar with the culture of risk reduction at the company level and presenting it transparently with stakeholders and related parties.
 - Recommend recruiting of independent auditors.
18. Ensuring adequate resources and laws for risk management, reviewing the organizational structure of risk management, making recommendations to them before being approved by the board of directors, verifying that the management workers have a full understanding of the risks surrounding the company and ensuring the independence of the risks staff from operational activities.
19. Assist the council in identifying and assessing the acceptable level of risks with the company and evaluating the systems and mechanisms for identifying, measuring, and following up the different types of risks that the company may be exposed to.
20. Studying and reviewing the company's risk assessment reports and actions taken to reduce or meet these risks within the scope of the acceptable and approved risk ratios for the company against the expected benefits.
21. Preparing and reviewing risk management strategies and policies before being approved by the Board of Directors, and ensuring that they are in line with the size of the company's activities.
22. Reviewing the adequacy and effectiveness of the company's internal control systems, including strategies, policies and procedures related to good practices for managing and controlling various risks, and verifying the implementation of those policies and strategies.
23. Reviewing the comments raised by the Audit and Risk Committee, which may affect the company's risk management. Review and initial approval of policy and procedures guides for risk management.
24. Carry out any other responsibilities assigned to the committee by the Board of Directors in accordance with the approved powers system.

Committee Achievements

The committee submits all its recommendations to the board of directors, and its achievements include the following:

- Submit recommendations to the Board of Directors regarding interim and annual financial statements according to the committee meetings in the presence of an external auditor.
- Submit recommendations to the Board of Directors regarding the internal auditing plan.
- Approving the internal audit reports, taking corrective actions and following them up.
- Submit recommendations to the Board of Directors regarding the risk management plan, risk assessment reports and risk process log.
- Submit recommendations to the Board on appointing the audit office to prepare a report on ICRs annually.
- Submit recommendations to the Board regarding appointing audit office to prepare a report on the quality of the internal audit work (QAR) every three years.

Formation of the Rewards and Nomination committee and Meetings

Name	Title	Date	Duration	1-2019 March 3	2-2019 May 12	3-2019 July 31	4-2019 Oct 1	5-2019 Nov 11	6-2019 Dec 15
Mr. Ebrahim M. Alghanim	Chairman– Non Executive	9 April 2018	Duration of the board's work	✓	✓	✓	✓	✓	✓
Mr. Adwan M. Aladwani	Vice			✓	✓	✓	✓	✓	✓
Mr. Faisal I. Al Musallam	Independent Member			✓	✓	✓	✓	✓	✓
Mr. Mansour Kamal	Rapporteur			✓	✓	✓	✓	✓	✓
Ms. Rawan Sabbah	Secretary			✓	✓	-	✓	✓	✓

Tasks and responsibilities:

The Rewards and Nominations Committee aims to assist the Board of Directors to carry out its supervisory responsibilities and duties to ensure the nomination of the necessary competencies for the membership of the Board of Directors and the executive and administrative positions in the company, and to verify that they are carried out according to an institutional framework characterized by efficiency and full transparency and mainly in the interest of the company and then achieve the goals of the shareholders in addition to supervisory tasks To ensure the integrity and correctness of the policy of calculating the rewards and allocations that the company applies to members of the board of directors and executive management and to verify that it is fair and contribute mainly to attracting human cadres with professional competence and High technical capabilities, as well as establishing the principle of belonging to the company. According to the following powers:

1. Recommendation to accept the nomination and re-nomination of the members of the Board of Directors and the executive management.
2. Establish a job description for executive and non-executive members and independent members, and ensure that the independent status of a member of the independent board of directors is not eliminated.
3. Overseeing the preparation and determination of the company's needs for competencies at the level of the executive management, the basis for their selection, recruitment processes, terms of contracting with the company's employees directly responsible to the chief executives, amendments to employment contracts, their renewals, and / or termination of services and resignation of employees.
4. Annual review of the requirements for the appropriate skills for membership in the Board of Directors, as well as attracting applications for those wishing to fill executive positions as needed.
5. Establish a job description for the executive and non-executive board members and independent members, and submit recommendations to the board of directors to appoint executive management personnel and vacant leadership positions in accordance with the approved policies and standards and in a manner that does not conflict with the instructions and laws regulating.
6. Ensure that the most qualified, experienced, capable and skilled are nominated to exercise the work tasks assigned to any vacant position in accordance with the best standards.
7. Verifying that the rewards will be granted according to the policy of the company and review these policies periodically and apply the extent of their effectiveness in achieving the desired targets represented in attracting the human cadres and keep the competent employees.
8. Determine the rewards values granted to the members of the Board and the executive management of amounts, benefits and benefits, and an analysis of the bonus chips and any other rewards that are granted directly or indirectly from the company or subsidiaries.
9. Define the various rewards segments that will be awarded to employees such as the fixed rewards segment, the performance-related rewards segment, the rewards segment in the form of shares, and the end-of-service rewards segment.
10. Prepare a detailed annual report on all bonuses granted to members of the board of directors and executive management, and those granted to the executive heads who received the highest amounts from the company, including the financial manager or whoever takes his place if they are not among them and any other rewards granted directly or indirectly by the company Or subsidiaries.
11. Follow the criteria of accuracy and transparency when preparing the rewards report, to disclose all rewards granted directly or indirectly, and avoid any attempt to conceal or mislead.
12. Supervision and initial approval of the bonus and promotions policy, increases, benefits, incentives and salaries for the executive management and employees.
13. Supervising and approving the training plan for all company employees and monitoring its implementation.
14. Supervision and initial approval of the annual employment plan in accordance with the needs of the company and recommendations of the executive management to submit to the Board of Directors for final approval.
15. Supervision and initial approval of the company's job grading structure and salaries.
16. Supervision and initial approval of a plan for rotating and replacing executive positions for submission to the Board of Directors for final approval.
17. Carry out any other responsibilities assigned to the committee by the Board of Directors in a manner consistent with the approved powers system.

The Committee Achievements

The committee submits all its recommendations to the board of directors, and its achievements include the following:

- Submit recommendations to the Board of Directors regarding professional liability insurance for board members and executive management.
- Submit recommendations to the Board of Directors regarding reviewing and approving the policies and procedures related to the committee tasks.
- Submit recommendations to the Board of Directors regarding approving the training plan, the employment plan, and the career replacement plan.
- Submit recommendations to the Board of Directors regarding the remuneration of members of the Board of Directors and the allowance to attend committee meetings.
- Submit recommendations to the Board of Directors regarding the remunerations of the executive management, the company's employees and subsidiaries.
- Submit recommendations to the Board of Directors a detailed annual report about all rewards given to board members, executive management, and executives who received the highest rewards from the company.

Formation of the Rewards and Nomination committee and Meetings

Name	Title	Date	Duration	1-2019 March 3	2-2019 November 11
Mr. Talal J. Al Bahar	Chairman – Non Executive	9 April 2018	Duration of the board's work	✓	✓
Mr. Hussain Abdulla Jowhar	Vice			✓	✓
Mr. Adwan M. Aladwani	Member			✓	✓
Mr. Abdulaziz M. A. Al Hasawi	Independent Member			-	✓
Mr. Ahmed Esmaeil A. Elkalshy	Rapporteur			✓	✓
Mrs. Fayrouz Shahin	Secretary			✓	✓

3rd Rule - Selecting persons with competence for board membership

The incentives and awards law in Al Tijaria Real Estate Company

The company grants its employees annual rewards in case of achieving the profits and the desired objectives of the company during the year taking into consideration the following:-

1. This reward shall not be obligatory on the company and shall be subject to annual investigation, the achievement of the company's objectives and acknowledgment by the company board of directors.
2. The reward payment is identified and approved by the company's board of directors based on the recommendations of the rewards committee.
3. The rewards and nomination committee submits the reward suggestion of the members of the board of directors provided that it shall be subject to the initial approval of the board and the final approval of the company general assembly.
4. The annual reward suggestion is prepared by the human resources department based on the specific allotments and assessment of company employees.
5. The reward proposal shall be studied by rewards and nominations committee.
6. The reward is calculated according to a fixed criteria for calculating the reward (whether it is a fixed amount for each job level, salary, salary multiplier)
7. A fixed rate is determined (percentage of salary - specific amount for each job level - salary multiplier - etc.) as an additional reward for the distinguished works.
8. The date of paying the reward shall be determined in case it is approved on the date specified by the senior management.
9. The determination of reward values depends on the percentage of the employee's assessment so that the employee who is rated (weak / acceptable) will not be entitled to receive the reward as a result of average performance of the year.

The job level of the evaluator:

- The employees are evaluated by the heads of the departments (the direct president) and approved by the departments' managers, the chief executive officer of the group and the chief executive officer of the administrative and legal affairs.
- The departments' managers are evaluated by department managers and approved by the group's chief executive Officer
- The departments' managers are evaluated by the group chief executive officers.
- The performance of the chief executive officers is evaluated by the Chairman of the board of directors.
- The summary of the evaluation results is presented to the management committee to examine the presented evaluation and the status of the committee's assessment of the employee.
- The results of the evaluation shall be submitted to the reward and nomination committee for reviewing and approval.

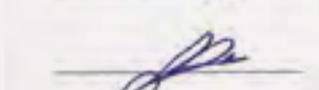
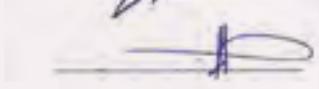
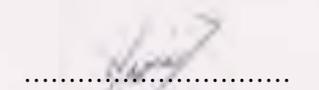
Rewards Report Structure for Board Members and Executive Management for 2019	Total (Thousand KWD)
Fixed Benefits (Health Insurance, Salaries, and Paid leaves)	671
Changing Rewards (Annual Bonus, Board & Committees Bonus)	398
Indemnity	67
<p align="center">During the year, the company recorded no deviations from the policy adopted in granting bonuses and benefits</p>	



4th Rule - Accuracy and the Integrity of the Financial Statements

Declaration and Undertaking (Accuracy and the Integrity of the Financial Statements for year ended 31/12/2019)

The Chairman and members of the Board of Directors of the Commercial Real Estate Company certify and guarantee the accuracy and integrity of the financial statements provided to the external auditor, and that the financial statements of the Company have been presented in a sound and fair manner and in accordance with the International Accounting Standards applicable in the State of Kuwait and approved by the Authority, and it expresses the Company's financial position as at 31 December 2019 based on information and reports which we received from the Executive Management and auditors and making the due diligence to verify the integrity and accuracy of these reports.

Member's Name	Position	Signature
Mr. Abdulfatah M.R. Marafie	Chairman	
Mr. Adwan Mohammed Al-Adwani	Vice Chairman	
Mr. Ibrahim Mohammed Al-Ghanim	Board of Directors	
Mr. Hussein Abdullah Jowhar	Board of Directors	
Mr. Abdulaziz Mubarak Al-Hasawi	Board of Directors	
Mr. Faisal Ibrahim Al-Musallam	Board of Directors	
Mr.Eng. Abdulmuttalib A.M. Marafie	Board of Directors	
Mr. Talal Jassim Al-Bahar	Board of Directors	
Mr. Tamer Said Mansour	Finance Dept. Manager	



The internal auditing department tasks and responsibilities

In the field of Internal Audit, Al Tijaria depends on an independent department established for the purpose of internal audit. The Board of Directors shall ensure that the internal audit is a continuous process that covers all the company's activities and business without exception of any department. The department prepares periodic and regular reports for the results of the risk based internal audit. It will also ensure that the management has established and implemented the internal control measures and operations to minimize the probability and mitigate the risk consequences. The risk and audit committee reviews the results of the internal audit report and ensure that necessary corrective actions are taken for the reported audit findings.

Statement of the Audit and Risks Committee regarding the committee's recommendations and Board decisions

The Audit and Risk Committee reports that there is no contradiction between the recommendations of the Audit and Risk Committee and the decisions of the Board of Directors.

The independence and impartiality of the external auditor

The company shall abide by the instructions and regulations related to the appointment of the company's auditor, and shall take into account the following:

- The nomination of the auditor based on the recommendation of the audit committee submitted to the Board of Directors.
- Selecting the auditors registered in the Special Register with the Authority, fulfilling all the requirements mentioned in the requirements of the Authority's decision regarding the system of registering the auditors.
- Ensure the independence of the external auditor from the company and its board of directors and not to carry out additional work for the company except for the audits and audits to ensure that impartiality and independence.
- Inviting the auditor to attend the meetings of the Audit and Risk Committee to discuss his views on the interim and annual financial statements with its members, so that his observations, if any, are presented with the recommendations of the Committee to the Board of Directors to take a decision thereon.
- Enabling the external auditor to attend the general assembly meetings and reading the report prepared by him to the shareholders, explaining any obstacles or interventions that he faced from the board of directors during the performance of his work, and the external auditor must inform the authority about any fundamental violations or obstacles and its details.

5th Rule - Establishing sound systems for risk management and internal controlling

The Internal Controlling and Regulatory laws

The company depends on a group of internal regulatory laws in order to make sure and keep the level of performance and control the operational and financial operations that cover all the activities and departments of the company through adopting a group of policies, procedures, organizational structures and laws that include (separation of tasks – investigation – double censorship and performance follow up reports). The board of directors shall follow up all the internal regulatory laws through the periodical reports issued by the following committees and controlling departments:

- Sharia Supervisory Board
- Internal control and auditing
- Audit and Risk Committee
- Risk, Compliance, and Control Unit
- Internal Audit Department

Sayed Mohammed Al-Tabtaba'i, PhD.
Chief of Shari'a Regulatory Board

Badr Abdel-Razzaq Al-Mas, PhD
Member of Shari'a Regulatory Board

Sheikh: Yousef Mahmoud Ali
Member of Shari'a Regulatory Board



*Dar Al-Reqabah
for Islamic Consultations*

بسم الله الرحمن الرحيم

تقرير الهيئة الشرعية

خلال الفترة من ٢٠١٩/٠١/٠١ م إلى ٢٠١٩/١٢/٣١ م

الحمد لله وحده، والصلاة والسلام على من لا نبي بعده، وعلى آله وصحبه.

المحترمون

السادة/ مساهمي الشركة التجارية العقارية

السلام عليكم ورحمة الله وبركاته.

وفقاً لعقد الارتباط الموقع مع مكتب دار الرقابة للاستشارات الشرعية، قمنا بتدقيق العقود والمعاملات التي نفذتها الشركة خلال السنة المالية المنتهية في ٢٠١٩/١٢/٣١ م، لإنهاء الرأي في مدى التزام الشركة بأحكام الشريعة الإسلامية، كما تم بيانها في الآراء والإرشادات والقرارات الشرعية التي تم إصدارها من قبلنا.

تقع مسؤولية الالتزام بتنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية على إدارة الشركة، أما مسؤوليتنا فتتخصر في إبداء رأي مستقل في مدى التزام الشركة بذلك بناء على تدقيقنا.

لقد قمنا بتدقيقنا الذي يتطلب منا تخطيط وتنفيذ إجراءات التدقيق والحصول على جميع المعلومات والتوضيحات والإقرارات التي نعتبرها ضرورية لتزويدنا بأدلة تكفي لإعطاء تأكيد معقول بأن الشركة ملتزمة بأحكام الشريعة الإسلامية، كما تم بيانها من قبلنا.

إن تدقيقنا قام على أساس فحص عينات من كل نوع من أنواع العقود والمعاملات المنفذة خلال الفترة، ونعتقد بأن أعمال التدقيق التي قمنا بها توفر أساساً مناسباً لإبداء رأينا.

وبناء على ما تقدم، نفيد بما يلي:

- إن الشركة خلال السنة المالية المحددة، ملتزمة بتنفيذ واجباتها تجاه تنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية، كما تم بيانها في الآراء والإرشادات والقرارات الشرعية التي تم اعتمادها من قبلنا.

- تقع مسؤولية إخراج الزكاة على المساهمين.

وصلى الله وسلم على نبينا محمد، وعلى آله وصحبه أجمعين.

بسم الله الرحمن الرحيم
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هاتف: ٢٢٤١١٤١
فاكس: ٢٢٤١١٤٢

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الشيخ يوسف محمود علي

عضواً

أ.د. بدر عبد الرزاق الماص

عضواً

أ.د. سيد محمد الطبطبائي

رئيس الهيئة الشرعية

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التاريخ : 2020/3/10

المحترمين

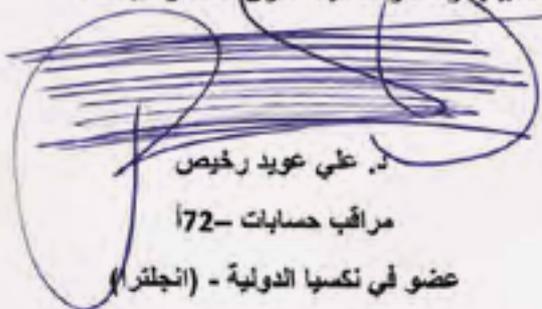
السادة/ هيئة اسواق المال
 دولة الكويت

**تقرير تقييم ومراجعة نظم الرقابة الداخلية (ICR) للشركة التجارية العقارية - ش.م.ك عامة
 للسنة المالية المنتهية في 31 ديسمبر 2019**

لقد قمنا بتقييم ومراجعة نظم الرقابة الداخلية للشركة التجارية العقارية - ش.م.ك عامة للسنة المالية المنتهية في 31 ديسمبر 2019 ، وذلك وفقاً لأحكام المادة رقم (9-6) من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للجانون رقم 7 لسنة 2010 بشأن هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاته الصادرة بموجب القرار 72 لسنة 2015 ، وقد غطى الفحص البيئة الرقابية العامة للشركة والمطابقة والالتزام بقواعد حوكمة الشركات الصادر من هيئة اسواق المال ، ونظراً لجوانب القصور التي تكمن في أي نظام رقابة داخلية ، فقد تقع اخطاء او مخالفات قد لا يتم اكتشافها او تعقبها. كذلك فان صعوبة تقييم هذه الانظمة لفترات مستقبلية يخضع لمخاطر نظراً لأن معلومات الإدارة وإجراءات الرقابة قد تصبح غير كافية بسبب تغيرات في الظروف او نتيجة تدني درجة الإنزلم بتلك الاجراءات.

تتضمن إجراءات التدقيق الاستفسار من العمول وإختبار على اساس العينة للأدلة والمستندات التي تؤيد انظمة الرقابة الداخلية الموضوعة والمطبقة من قبل الإدارة والمطابقة والالتزام بقواعد حوكمة الشركات.

بناء على فحصنا لأنظمة الرقابة الداخلية للشركة التجارية العقارية - ش.م.ك عامة ، نرى أن أنظمة الرقابة الداخلية الأساسية والمطابقة والالتزام بقواعد حوكمة الشركات بالشركة قد تم تطبيقها وفقاً لقواعد هيئة أسواق المال والسياسات والإجراءات الخاصة بالشركة.


 د. علي عويد رخيص
 مراقب حسابات -72
 عضو في نكسيا الدولية - (انجلترا)

مكتب الواحة لتدقيق الحسابات



Risks Management tasks and responsibilities

Al Tijaria Real Estate Company is very keen on managing the risks as a primary side in the strategic management of the company. The company manages the risks according to the philosophy entitled "risks are the responsibilities of all", so the company was very keen on approving a group of policies and organized procedures to face the risks accompanying its activities with the purpose of achieving balance among the degrees of bearing the risks and the expected revenues from every activity and all the activities of the company in general. In continuation to the application of the conservative policies of the company risks management in the previous year, the company was very keen on developing policies and strategies of the risks management and diversifying its investments in terms of the sectors and its geographical distributions in order to guarantee diversity and reduce the amount of exposition to the market and concentration risks in addition to following the different techniques to deal with kinds of the surrounding risks which the company's businesses are exposed to through transferring risks, sharing risks, refusing risks or accepting the controllable risks, putting the mitigation plans, and reducing the risks according to the objectives, revenues and standards of the active costs of the risks management operation as well as developing the risks management in the company in terms of providing support and the required training for the teamwork in order to guarantee the achievement of the targets. The company worked on integrating the culture and the trend of risks management within the company work environment through efficient policies and identifies the responsibilities inside the company for each manager and employee to make the concept and the tasks o risks management a part of the job description of his work and promote the responsibility bearing and the activity of working among all the job levels and the groups and departments of the company. The auditing and risks committee follows up the received reports from the risks and obligation unit that identify and measure the risks relating to the company activities and analyze and treat them in order to guarantee taking the required corrective measures for managing the risks, limit their effects and put them in the accepted range within the company. The committee presents also the periodic reports to the board of directors in order to guarantee that the board of directors is fully informed with kinds of risks which the company faces and the procedures taken to achieve the required targets during the low levels of risks. In the following we state kinds of risks and possible threats which the company may be exposed to according to the nature of the works and the preventive procedures taken by the company in order to guarantee facing these risks, prevent their occurrence and limit their effects taking into consideration that these threats are not necessarily existent, but it is probable to appear if the required procedures are not taken to face them.

Kinds of risks to which the company may expose		
<p>Strategic Risks</p>	<p>This type of risk focuses on strategic risks and business efficiency, which are related to the implementation of the Company's overall strategy that threaten the achievement of long-term goals and strategies. Below are some examples of strategic risks:</p> <ul style="list-style-type: none"> • The likelihood of not adopting and implementing a clear strategy with a defined goals. • The Likelihood of not providing the necessary financial, technical and human resources to manage the company's business and regulatory functions. 	<p>The asset allocation strategy which include the classification, sectoral and geographic distribution of the Company's assets and investments has been updated in 2016. The strategy is reviewed and approved annually to carry out the required diversification of the Company's assets and investments in accordance with changes and market, economic and political factors. The estimated budget for the next five years has been prepared to ensure the availability of financial resources as well as employment plans and modernization of the organizational structure of the company.</p> <p>The development and application of advanced IT systems to ensure the efficiency of business process.</p>
<p>Operational Risks</p>	<p>This type of risk focuses on all types of operational risks, including inadequate internal control systems, technological risks, inefficiencies and / or effectiveness of processes and procedures in accomplishing the overall objectives of the company, contributing to human error, software failure and inadequate and efficient procedures and controls. Some examples of operational risks:</p> <ul style="list-style-type: none"> • Probability of a lack of operational processes and internal controls of accounting information systems and records. • Probability of insufficient planning in information systems for emergency disasters. 	<p>Policies and procedures manuals, as well as internal audit and control systems for operational processes and administrative systems, as well as application of technical systems for the implementation and follow-up of operations have been developed with developing control mechanisms and structure of the authorities on these systems with continuous monitoring and improvement.</p>
<p>Financial Risks</p>	<p>This type of risk focuses on the various financial risks that the Company may face, such as the risk of management ineffectiveness and financial control of the Company and the impact of external factors such as the ability to provide credit facilities, exchange rate fluctuations, changes in interest rates and other factors in the market. Finance:</p> <ul style="list-style-type: none"> • The likelihood of not adopting prudent and appropriate financial management policies. • The likelihood that the necessary reconciliations and reviews will not be made between the planned according to the estimated budgets and the actual figures in order to measure the company's performance. • The likelihood of investing in sectors, areas and highrisk countries without taking into consideration the necessary steps to protect the company from the risks it may exposed from such operations. 	<p>Financial risks are managed through a set of procedures and systems, which include budgeting at the departmental, groups and the company level, as well as effective monitoring and control of the management of financial flows and periodic comparisons between what is planned within the estimated budget actual figures in order to identify the deviations and taking corrective actions which gives an assurance on the effeciency of the operation.</p>

<p>Governance and obligation risks</p>	<p>This type of risk focuses on the risk of non-compliance with the laws, regulations and decisions issued by the regulatory authorities, as well as the internal policies and procedures of the company such as, the risks of non-conformity of the company's operations with applicable laws and regulations.</p> <ul style="list-style-type: none"> • The likelihood of the weakness of professional culture and experience in supporting and directing employees to comply with laws and instructions. • The likelihood of weakness of internal compliance systems and training programs. • The likelihood of non-activation of the role of legal management and legal consultations. 	<p>An independent risk management and compliance unit has been established by the Board of Directors within the organizational structure of the Company, which is directly reporting to the Chairman and the committees, to verify the Company's compliance with all laws and regulations issued by the various regulatory bodies and to provide the Board of Directors with periodic reports on the Company's status and any amendments as required by Laws and regulations.</p> <p>The company has prepared a comprehensive guide that includes all the instructions, procedures and policies related to the application of the standards of governance and has been circulated to the relevant employees of the company to ensure the efficiency of implementation and compliance. The training plans approved by the Board of Directors have been developed to ensure that all employees are identified with compliance requirements and how to apply them. All contracts of the company are reviewed by the legal adviser of the company in addition to contracting with specialized legal consulting firms to assist the company at necessity.</p>
<p>Information risks relating to the decision making</p>	<p>This kind of risks focuses on the risks relating to the inaccuracy and inadequacy of the used information in order to support the strategic, financial and operational decisions. These risks relate to the usability and the information timing and whether it was obtained or summarized through applying the used programs and the extent of understanding the needs of this information.</p>	<p>An integrated system of reporting has been established to ensure the accuracy and safety, the timing of raising and the confidentiality of information. The company also developed a set of policies, To maintain the confidentiality of information, to use it optimally and to avoid conflicts of interest.</p>
<p>Reputational risks</p>	<p>This Risks associated with activities that may be carried out in contravention of accepted standards, which may discredit the company in the market.</p>	<p>A code of ethics has been established to ensure that the company's employees comply with the Shari'a principles and principles in line with the company's orientations. All transactions are subject to the approval of the Sharia'a Supervisory Board to ensure the company's reputation and adherence to Shari'a principles.</p>

6th Rule - Promoting professional behavior and ethical values

The work pact that includes standards and determining elements of the professional conducts and the moral values

The work pact in Al-Tijaria is the constitution of the values for all the employees and includes the professional ethics and behavioral controls that must be exercised by all the employees of the company in accordance with the principles, teachings and ethics of Islamic Shariah. It contains objectives, principles, standards and policies.

A - Objectives:

- Underpinning the moral concepts and values of the company.
- A tool that is used to indicate to the behaviors and morals followed in the company.
- Verify that all employees working in the companies adhere to the behavioral and moral standards that agree with the policy and the vision of the company.
- Provide a suitable and effective work environment within the framework of governance application.
- Consider the ideal employee, adhering to his duties and knowing his rights well, as the cornerstone of building Al -Tijaria
- Building the cooperation and dealing foundations, developing the teamwork spirit and underpinning the loyalty of Al-Tijaria employees
- Respect the work and apply the Islamic Sharia teachings among the employees and all clients.

B - Principles and Standards:

1. Adherence of all the members of board of directors, the executive management and all the employees of the company to all the laws and instructions and to what achieves the interest of the company, the shareholders and other stakeholders and not the interest of a certain class.
2. The members or the executive management shall not use the powers of the job position to achieve any interest or personal goals for him and for others.
3. Not to use the company's assets and resources to achieve personal interests and work to use them in the optimal way to achieve the company's goals.
4. Establish a suitable and clear system and mechanism that prevents council members, executive management, and employees from exploiting information by virtue of their career location for their personal benefit.
5. Setting the necessary standards, procedures and policies to organize operations with related parties.
6. Setting the necessary standards, procedures and policies to completely separate the interests of the company and those related to the members of the Board of Directors.
7. The commitment of the members of the Board of Directors to disclose to the Board of Directors any common interests it has with the company, whether directly or indirectly.
8. The commitment of the members of the Board of Directors not to participate, to express an opinion, or to vote on any issues submitted to the Board that have a direct or indirect common interest in them.
9. Provide the suitable mechanism for the workers of the company to report about their complaints about any unsound practices or any other matter that raise suspicion and guarantee separate and fair investigation procedures for these complaints as well as the secrecy that protect the informer from any negative reactions or damage that may occur as a result of informing about these practices.
10. The job includes mutual rights and duties between the employee and the company. The positive participation of the employees is achieved through the permanent endeavoring to perform the duties with complete understanding and realize the responsibilities honestly and truly in return for his rights that must be guaranteed by Al Tijaria according to the internal regulations and the laws of the work.
11. The difference in the viewpoints among the colleagues and the difference in the matters and ideas is something natural as long as it does not contradict with the work course and the job tasks and does not lead directly or indirectly to hindering and blocking the achievement of objectives.
12. Equality among employees is inevitable
13. Respect, constructive dialogue and avoiding controversy are the best and most advanced ways of dealing with all the employees whatever their job levels are. It is one of the main pillars in the work environment in Al Tijaria.

Summary of the Policies and the Mechanisms of Limiting the Interest Conflict Cases

Al Tijaria Real Estate Company adheres to conservative policies to limit the conflict of interest whether on the level of the executive management and company's employees or on the level of the board of directors and include:-

1. The Board of Directors shall have a policy regarding conflict of interests, so that this policy includes clear examples of cases of conflict of interests and how to deal with and deal with them, without prejudice to the cases mentioned in the Companies Law.
2. A member of the Board of Directors must inform the Board of Directors of his personal interest in the business and contracts that are made for the account of the company, and this notification shall be recorded in the minutes of the meeting.
3. The Chairman of the Board of Directors informs the General Assembly, when it is held, of the works and contracts in which a member of the Board of Directors has a personal interest, and a special report from the auditor is attached to this notification.
4. The company should assign an independent expert such as an asset valuer or an investment advisor to submit a report to the general assembly or the board of directors, as appropriate, regarding any deal between the company and any related party, or any arrangement whereby both parties enter into any project or asset or provide financing For him, whenever the value of the deal or arrangement is equivalent to 10% or more of the total assets of the company, provided that this report is submitted before agreeing to the deal or arrangement referred to in this article.
 - The employee or member of the board of directors has no right to practice any activity that may give rise to the appearance of the conflict of his interest and the company's interest in order to avoid exposing the company to the suspicion of the conflict of interest even if there is no real conflict in the interest. As for the employees taking over the responsibilities of issuing the purchase orders for fittings, equipment, transportation services and other services of the companies, they are not entitled to obtain a significant share in any company that supplies fittings or services for the company.
 - The family member of the employee or the member of the board of directors may not also have the right to obtain such interest. The significant share means any financial interest that influences the decision of the employee to practice the work for Al Tijaria Company. The possible or the real conflict of interest occur when the employee is in the situation that has effect on the decision that may lead to gain personal profits for his account or for the account of other employee or one of his family members or friends and acquaintances.
 - The policy limiting the conflict of interest states that it shall be notified about any interest of the employee, or the members of the board of directors or their relatives in any contracts or dealings with the companies and not take any decision or vote on any decision regarding this conflict in case of its existence.
 - The board of directors has made clear and approved policy to deal with the related party (if available) in a way that guarantees dealing with the related parties, approve it principally by the executive committee, review it by the Auditing and Risks committee and approve it finally by the board of directors provided that the agreement of non-ordinary general assembly to deal with the related parties at the end of the fiscal year.

The company has put a mechanism in order to guarantee that the members of the board of directors, the executive management and the company's employees adhere to the limiting policy of conflict of interests through signing on acknowledgment stating that they are fully aware of the policy and adhere responsibility.

7th Rule - Accurate and transparent disclosure in timely manners

Summary of the transparent and accurate mechanisms and policies of presentation and disclosure that identify the aspects, fields and features of the disclosure

Al Tijaria Company adopts the transparency and disclosure policy for its board of directors, shareholders and stakeholders on one hand, and the concerned and regulatory parties with adherence to the followed laws and regulations followed in the state of Kuwait on the other hand. It stipulates the necessity of adhering to the appropriate accurate organized internal and external disclosure regarding all the financial matters and the essential information relating to the company including the statement of the financial position, the performance, the property and any practices relating to controlling the company or its decisions. This transparency may create an atmosphere of confidence and assurance and serenity internally and externally and eliminate the conflict of interest with the related parties. Transparency guarantees also a clear communication among the shareholders, the board of directors and the executive management and create an atmosphere of credibility in the work environment which is a responsibility that must be borne by all parties.

Therefore, Al Tijaria adheres to all the laws, regulations and instructions relating to the disclosure and issued by different regulatory and controlling authorities in the very opportune time in its belief to the importance of transparency in promoting the confidence of the shareholders and the stakeholders and save the company's reputation in the markets where the company works.

The disclosure record of the members of the board of directors and the executive management

The company keeps a disclosures record of the members of the board of directors and the executive management including all the data and the information required for the disclosure according to the laws, regulations and policies of the company in this regard. The record includes also the data relating to the rewards, salaries, incentives and other financial advantages included in the annual report that is presented to the general assembly. The related parties will have the right to review this record during the normal working hours.

Investors' Affairs Department tasks and responsibilities

The investors' and shareholders' affairs department in Al Tijaria Company is responsible for providing the data, information and reports required for the current investors and the probable shareholders as well as keeping a copy of the company's shareholders record and follow up the updates of the record with the clearing Kuwaiti company in order to update the information of the shareholders. The shareholders' affairs department is also the assigned authority for providing the data, information and reports for the shareholders in several methods either in official correspondences or through acknowledged means of disclosures in coordination with the concerned departments or through the company's website.

Developing the information technology infrastructure for dependability in the disclosure process

The essential information is disclosed through the company's disclosure on the electronic site of the stock market and addressing the authority with the statement including the information required for the disclosure according to the specified models in addition to the disclosure on the company's website.

8th Rule - Respecting shareholders' rights

Identifying and protecting the general rights of the shareholders

The current shareholders in Al Tijaria Company are registered in the books and records of Kuwaiti Clearing Company (Maqasa). Each share will entitle its owner to obtain a share that is equal to the other's share without any difference in the ownership of the company assets and in the divided profits. Whereas the shares of the company are nominal, the last owner of them who has registered his name in the record of the company will have alone the right to receive the due amounts for the shares whether they were dividends in the profits or shares in the company assets. Irrespective of his ownership rate, each shareholder shall have the following:-

- 1- Obtain the profits according to the results of the company and the recommendations made by the board of directors and approved by the general assembly in a form of cash profits or granted shares.
- 2- Participate in the election of the board of directors and dismiss them in accordance with the organizing laws.
- 3- Participate in the company's management through election to the membership of the board of directors, attend the general assembly and participate in the discussion and the voting on the decisions according to the provisions of the law, the articles of association and the basic law.
- 4- Obtaining the financial statements, at least seven days before the meeting of the normal general assembly, for the elapsed accounting period as well as the report of the board of directors and the auditor's report (the annual report).
- 5- Monitor the performance of the company in general and the works of the board of directors in particular, accountability of the board of directors or the executive department and file the accountability lawsuits solely on behalf of the company if the company did not file it in case of failure to perform the assigned tasks. The shareholder may file his compensation lawsuit if the mistake has caused much damage.
- 6- Disposition of the owned shares and transfer them according to the laws. The priority in contributing the new shares, bonds and documents shall be according to the provisions of the law and the company's contract.
- 7- Participate in obtaining the assets of the company in liquidation after paying all the debts.
- 8- Obtain the information and the data relating to the activities of the company and its operational and investment strategy regularly and easily without damaging the interest of Al Tijaria Company in accordance with the followed laws and regulations.
- 9- The priority right of the new shares contribution by pro rata owned shares within fifteen days since the notification date. The shareholder may waive his right to other shareholder with or without remuneration and this waiving shall be reduced to writing and certified during the period of priority right; otherwise it will be considered invalid and has no effect.
- 10- The contribution priority right in the bonds and documents if they expressed their wish during a period not over than fifteen days since their claim of using this right.
- 11- The shareholders who represent 25% of the capital may ask to replace the auditor during the financial year.
- 12- The shareholders who own 5% of the company capital may ask the ministry to appoint auditors to inspect the company regarding to what is attributed to the manager, the members of the board of directors, the auditor or the chief executive officer of the company including defaults in performance and duties whenever they have the justified reasons for this request.

Record of the shares with the clearing agency with the purpose of continuous follow up for the shareholders' statement

The shareholders' records with " Al Maqasa" updated principally are saved on each change and they can be reviewed through direct communication and request from " Al Maqasa" in accordance with the convened contract between " Al Tijaria and Al maqasa", not to mention that " Al Tijaria" keeps updated records with the shareholders' names, number of their shares, their kind, the paid value of each share, rate of their ownership, their ID numbers and their contact data through the investors and shareholders' affairs department

Encouraging the shareholders to participate and vote in the meetings and follow the company's activities

Al Tijaria works also on encouraging all the classes of the shareholders to attend the meetings of the general assembly as the general assembly meeting is held under the call and attendance of the shareholders and shall be considered the higher authority in the company. The general assembly shall elect and appoint the board of directors assigned with the tasks of disposition on behalf of the shareholders in order to protect their interest and achieve the company's targets and ambitions. The board of directors adheres to the following:-

- Encourage the shareholders to attend the meeting of the general assembly in the time and place identified in the articles of association, the basic law or the company board of directors whereas the time and place of the meeting are identified in a way that facilitates and encourages attendance.
- Every subject presented in the agenda of the normal and non-normal general assembly shall be accompanied with sufficient explanation and presentation to all of its sides and aspects in order to enable the shareholders to take their decisions based on the information submitted to them in elaborate and sound way and not a mere completion to all the formal aspects of the meetings.
- The general assembly shall be managed in the way that allows the shareholders to express their opinions.
- Each shareholder shall have equal votes that are equal to the number of his shares. The decisions are issued by the absolute majority of the representing shares. The company shall provide the chance to all the shareholders to practice the right of vote without putting any obstacles that lead to banning the vote through:-
 - All the shareholders shall have the granted rights of voting with the same dealing of the company whatever shares they have.
 - The shareholder will have the right to vote either personally or by proxy and give the shareholders the same rights and duties in both cases.
 - Inform the shareholders with all the rules governing the procedures of voting before the assembly starts.
 - Provide all the information relating to voting for all the current shareholders and expected investors and ensure that this information will be provided continuously and permanently and for all the shareholders' classes.
 - No fees are charged for the attendance of any class of the shareholders to the meeting of the general assembly and no preferable advantage is granted for any class against the other classes of the shareholders.

9th Rule - Understanding the role of stakeholders

The laws and policies guaranteeing protection and acknowledgment of the rights of stakeholders and encourage them to follow up on the activities of the company

Al Tijaria Company adheres to the standards of applying governance, laws and instructions issued by the controlling authorities regarding the stakeholders such as the labor law, the company's law and its executive regulation and the contracts made by and between the stakeholders that provide them the chance to obtain real compensations in case of violating any right as well as the standards stated by the economic and development cooperation organization which included the roles of the stakeholders or the parties relating to the company. It also recommended the necessity to work on respecting the legal rights and compensation for any violation of these rights and the mechanism of active participation in following up the business of the company. The company guaranteed the rights of the stakeholders through certain mechanisms represented in the following:-

- Provide information and the chance to review this information periodically in the opportune time through the stage financial statements and the continuous disclosure and follow up the transparency policy.
- Develop the workers' participation mechanisms in improving the performance through following the open door policy, evaluation and performance continuous development.
- Allow the stakeholders of the individuals and the authorities representing them to communicate freely with the board of directors or the executive management to express their concerns about any illegal actions or any conducts that violate the ethics of the profession without prejudice to their rights or lessen them if they did so.
- Apply equality in dealing with different parties for all the members of the board of directors, the related parties and the stakeholders without any difference or preferable conditions.
- Adherence of the company to the contracts made with the stakeholders that include the party's right to obtain any suitable compensations according to what is stated in the contract and in compliance with the regulating laws.
- Developing manuals, policies and procedures regulating the relation with the clients, suppliers and the mechanism of keeping the secrecy of the information relating to them through the concerned departments.
- Putting certain mechanisms to protect the rights of the stakeholders according to what is stated in the contracts and the operational policies of the company.

10th Rule - Enhance and improve performance

Mechanisms for the members of the Board of Directors and Executive Management to receive training programs and courses on a regular basis

An induction program is provided to new Board members and Executive Management. Such program shall include a file describing the functions and activities of the company, strategic planning, risk management and control system, as well as any other relevant information. Coordination shall be conducted to visit the main sites of the company assets. The induction program shall be periodically reviewed, amended and guaranteed in the event that the Board or one of its members changed to include, as a minimum, the following:

- The company's strategy and objectives.
- Responsibilities and tasks assigned to members as well as powers and rights.
- Legal and regulatory obligations of the Company and the Board of Directors.
- A general summary of the company's business and financial position (Includes a summary of financial statements and annual reports for past years, distributions, assets, performance indicators, investments, projects, real estate portfolios, estimated budget for the coming years...).
- Memorandum of Association and Statutes.
- The organizational structure of the company and the plan of career progression.
- Asset allocation strategy.
- Annual report and Governance report for the previous year and the updated Governance guide. Contact information (information card containing contact details for members, executive management and office of the chairman including names, job titles, telephone numbers, mobile, fax and e-mail).

In addition to the above mentioned, an annual plan of training programs for members of the Board of Directors and Executive Management shall be developed and adopted on the latest standards, regulations and updates, especially in the field of administrative and financial work to develop their performance and develop their skills and expanding their expertise, especially in the field of governance and risk management.

Measuring the performance of the Board of Directors as a whole and the performance of each member of the Board of Directors and Executive Management

The self-assessment of the performance of the Board members shall be carried out, including the performance of the Chairman and Vice- Chairman. The self- assessment is performed annually and the assessment is reviewed and approved by the Governance Committee and the Board of Directors. Performance should be assessed through objective Key Performance Indicators (KPIs) to assess the Board of Directors as a whole, and the contribution of each member of the Board of Directors and each of its committees. The evaluation of the Board of Directors and the committees shall include a set of indicators:

A - Quality Indicators:

- The degree of deviation between the company's estimated budget and the actual figures achieved.
- The extent of progress made towards achieving the desired objectives.
- The extent of the response to the correction of observations received from regulators.
- The extent of the rapid response to the perception of problems and the ability to solve them.
- The turnover rate of employees to measure the degree of belonging to the company.
- Training courses obtained and its relation to the nature of work.

B - Quantitative Indicators:

- Return on average assets.
- Return on average equity.
- Net profit margin.

An annual assessment of the performance of each member of the Board of Directors is also carried out by all Board members to determine the level of performance and the need for development on the individual level based on the model prepared for this purpose, which includes the following indicators:

- The degree to which the member has sufficient skills and experience to carry out his duties.
- The extent of due diligence and efforts in carrying out the tasks assigned to him and active participation in meetings of the Board of Directors and the Committees.
- Attendance ratios and degree of compliance with Board of Directors meetings and committees.
- The extent to which the member enjoys neutrality, integrity and compliance with the company's laws and policies.

Value Creation Methodology of the Company

Vision

"The Commercial Real Estate Company is in the ranks of the first and largest companies operating in the real estate industry in the State of Kuwait and the regional and global markets".

We seek to maintain a leading position among the best companies in the real estate sector at the local, regional and global levels by creating a competitive and ambitious work environment and providing ideas and projects that support the growth and development of the company and the real estate sector in general.

Mission

"Increasing the profits of the company in order to maximize shareholder rights and serve the Kuwaiti community". The Company is committed to following a low risk strategy that ensures the alignment of cost and value added and the sustainability of returns and cash flows to meet the company's commitments and shareholder aspirations and translate them into actionable annual work plans and follow up the process of implementation and verification of the completion of tasks in accordance with the plans, powers and responsibilities.

The Strategy

The acquisition of good assets and maintaining the balance and diversity of our real estate portfolio between income-generating properties and strategic assets in the local, regional and global markets, in addition to maximizing the share of the company in the provision of real estate services and facilities management, which will increase growth and create a sustainable added value for our shareholders and partners.

Future Plan

The Commercial Real Estate Company is keen to continue to diversify its real estate investments both in terms of sectors and markets, especially in light of the economic situations, conditions and changes experienced by the world in general and the Middle East Countries in particular, by maintaining investments with profitable operational returns by the local market and politically and economically stable markets and working on their development, with the persistent and continuous follow-up of the economic conditions and changes and the extent of their implications on the markets so that the plans and strategies of the company are updated and amended in a timely manner, in parallel with the support and development of the management of third-party property and the provision of facilities services to ensure the provision of excellent services to the customers of the company.

Optimal Income

Implementing an active internal mechanism to ensure optimum profitability from Al-Tijaria assets through effective management of assets and resources, to enhance the optimal income of the company's assets and obtain good returns to ensure cash dividends, given that the rates of returns and distributions are subject to increased revenue and profitability.

Our Values and Principles

we
BELIEVE IN THE
5T's
OUR RECIPE FOR SUCCESS



مع خالص تحياتي
With my best regards
عبدالفتاح معرفي
Abdulfatah Marafie

11th Rule - Focusing on the importance of social responsibility

Social Responsibility policy

Under the slogan 'Al Tijaria We Care' the company contributes to social responsibility initiatives in implementing its strategic objectives and launches programs and social activities on a continuous basis. The importance of Al Tijaria with the social responsibility has increased in the last years till it became one of the basic performance standards for the company which deems the social responsibility as non- volunteering issue to help the society, but it became a basic matter for the long term success through different activities (charity, cultural, scientific, health, environmental and social activities) starting from the principle of compliance and dealings in accordance with the teachings and provisions of the noble Islamic sharia that encourage dealing according to the best standards and within the framework of social security.

Standards of applying the social responsibility policy in Al Tijaria Company:

- Respect and responsibility: means respecting the internal environment of the company (the workers) and the external environment (members of the society).
- Support and assist the society.
- Protect the environment through the initiative that provides service to the society and improve the environmental circumstances in the society and solve the environmental problems with their different types such as (health and education) in accordance with the projects and activities exercised by the company.
- The programs and the used mechanisms that help showing the exerted efforts by the company in the field of social work.

A group of programs and organized mechanisms have been developed in order to guarantee the continuity of the social responsibility policies application as:

- An approved annual plan has been put by the board of directors with all the contribution, events and activities during the year.
- An annual special approval has been put in order to implement the social responsibility plan.
- Present periodic reports to the governance committee about the implemented activities in addition to periodic news circulation that shows the events that were implemented by the company and the nature of the contributions.

In addition to the events and contribution of the annual plan, the company made organized and continuous campaigns during the year such as "plant a tree in my country", sponsoring the projects of students of the College of Engineering and Petroleum, and "Rafad" campaign that distributes meals to the needy.

Social Responsibility Initiatives

“Plant a tree in my Country” for the 3rd consecutive year

The Commercial Real Estate Company held “Plant a tree in my country” campaign for the 3rd consecutive year with the objective of creating awareness and planting seedlings in Boulevard and across Kuwait to achieve a greener future with the help of PAAF’s contribution. Also, it encourage both citizens and residents in Kuwait to take care of the environment and to motivate them to launch similar initiatives in the future



“Shining Hope 7” celebrates the talents of the special needs

On 19th of March 2019, and under the presence of the honor president of Kuwait disabled sport club, Sheikha Sheikha Al Abdullah, the Commercial Real Estate Company concluded the 7th “Shining Hope” festival which highlighted the creativity and talents of the special needs people.

Mr. Abdulfatah Marafie expressed his pride and happiness because Shining Hope festival has lasted for seven years hoping it will last for many more. Also, he invited everyone to attend and encourage special needs people to showcase their talents. Also, he encouraged the private sector to pay more attention and effort towards empowering the handicapped.



Ramadan Rafad Campaign

The Commercial Real Estate Company organized “Ramadan Rafad Campaign” on April 29th 2019 which aimed to prepare more than 150 boxes that contains all food necessities and distribute them to the needy families in Kuwait with the help of Al Tijaria and Symphony Style Hotel staff.



“Take Time Out of your Busy Life to Save a Life” Blood donation campaign



The commercial Real Estate company organized “Take Time Out of your Busy Live to Save a Life” blood donation campaign for the 5th consecutive year in Al Tijaria Tower.

The campaign which took place on August 22nd 2019 was completed with great success with the participation of a large number of the employees of the Commercial Real Estate Company in addition to a large number of tenants, employees and visitors of the tower and their contributions that contributed to supporting the needs of the Central Blood Bank.

“RAFAD” weekly initiative



The Commercial Real Estate Company continues its weekly charity “RAFAD” initiative which takes place every Friday at 10:30 am at the Symphony Style Hotel. The campaign aims to distribute fresh meals prepared in the kitchen of Symphony Style Hotel to the under-privileged throughout Kuwait after Friday prayers. It also aims to plant the concept of charity and volunteering within the youth and their role in serving the Kuwaiti community.

Donate a toy... share the joy



The Commercial Real Estate Company started its latest campaign that started in September 26th 2019, the “Donate a toy ... Share the Joy” campaign, which aimed to collect children’s toys and donate them for the benefit of the less fortunate children in Kuwait. This campaign also aimed to delight the needy children and bring joy to their hearts, as well as to urge parents to teach their children about altruism and generosity and to share the blessings that God blessed them with those who are less fortunate than them. The Marketing and Communication team of the Commercial Real Estate Company expressed their happiness with this campaign, which is the first of its kind. They also thanked all the sponsors who contributed successfully to this campaign through their cooperation and generous donations to children.

Special visits to children’s hospitals



The Commercial Real Estate Company continued for the second consecutive year its visits to the children’s ward in the hospitals affiliated with the “Kuwait Association for the Care of Children in Hospital”. These visits that took place in the last quarter of 2019 aimed at spreading the positive atmosphere and recreation for the children and hospital residents, and to bring joy and happiness for them. These visits included many events and entertainment and educational programs that “Al Tijaria” team is keen on because of their great interest in the psychological side of the sick children and stand by them during the treatment stage and also providing all available means of entertainment to raise their spirits for a speedy recovery.

Achievements and Projects of the Company

Boulevard Ballroom management

Located at the center of Salmiya and in the middle of fascinating green areas, we present you with Boulevard Ballroom with 1,641.529 square meters leasable area and contains wedding and meetings halls. Opened on last quarter of 2019.

The wedding halls are characterized with a vast area that fit more than 800 persons to make your occasion unforgettable experiences. It include a special room for the bride and bridegroom to give you the sense of confidentiality and welfare. The room was designed with royal colors and designs that give the impression of luxury which every bride deserves.



Dine Zone Project

“Dine Zone” Project is one of the most recent projects for “Al Tijaria commercial Real Estate Company” which located in Al-Fintaas Area, next to Safir Hotel. It consists of 26 villas enjoying calm and charming atmospheres overlooking the sea directly. The area of this project is 8,300 square meters and 100% of it has been leased with more than 62% start operating.

“Dine Zone” project is a distinguished concept of local, and global restaurant & Cafés. Each villa consists of two floors with rooftop and outside seating area.



Light Restaurants Complex

Light project is located in the most important crossroad along the coastal road in Al Mahboula area. It consists of 11 units and includes elite of the most locally and globally modern restaurants on an area of 5,940 square meters. Light restaurants projects are characterized with a ceiling height that reaches 7.4 and floor that is higher than the street level and the car parking is located in the low ground level. In between the seating areas, there is a dancing fountain with beautiful scenery and open multi-purposes areas equipped to be used for cultural and artistic occasions.



Juman Residential Complex

Juman Housing Complex is one of the architectural creations of Al Tijaria Real Estate Company. It is a massive edifice designed with the smart building system and its area is 7950 square meters in Al Mahboula area. The complex consists of two housing towers, each of which has 12 floors in addition to car parking and several business shops. The complex is characterized with various housing apartments with different area of which are apartments with one bedroom, two bedrooms, three bedrooms and penthouse in addition to townhouse consisting of 3 floors and each apartment has a distinguished balcony. The complex contains a health club, squash playground and swimming pool.



Thatcher Residential Complex

Thatcher project is located in Al Mahboula area. It consists of furnished apartments in the same system of the hotel including all the services. The total area is 5,373 square meters. The project includes three partially linked towers. Every tower has 16 floors and contains 77 apartments and shops. These apartments are served by 7 elevators for the individuals and one for the services. It includes also swimming pool for the children and another for the adults. It also has a Jacuzzi and a fully furnished health club and squash playground. The complex has also 6 villas. Every villa consists of two floors and a cellar. The project was equipped with smart systems, operation services and means of security and guarding around the clock.



Symphony Style (Hotel - Offices - Mall)

Symphony project is one of the prominent projects of Al Tijaria Real Estate Company in Kuwait. The area of the project is 11,749 square meters. The building area exceeds 95,000 square meters. Symphony Style consists of three parts, the first is the business offices tower and consists of 10 floors, and the second is Symphony Style Mall and contains commercial shops distributed on 3 floors, and also contains 52 shops with distinguished ideas from the small business owners entitled "Lobby". As for the third part of the project, it is the Symphony Style Hotel "A Radisson Collection".



Al Tijaria Tower (Offices - Mall)

Al Tijaria tower is one of the most important projects in Al Tijaria Real Estate Company. It is a massive real estate excellent edifice gathering the modern architecture shape and the first of its kind in the state of Kuwait. Its area is 4200 square meters and consists of 36 floors. In addition to 4 floors for commercial shops. It is 218 meters high and the project cost reached 37 million Kuwaiti dinars. Al Tijaria tower is distinguished with strategic site at the center of Kuwaiti capital and with beautiful scenery overlooking Al Shaheed Park. Al Tijaria tower obtained the distinction prize for the construction projects from the Concrete American Institute, Kuwait branch. It is a prize given as estimation for the distinguished works in the field of designing, construction and concrete implementation along the level of Kuwait.





Edara is a strategic business unit belonging to Al Tijaria Real Estate Company which is responsible for providing real estate management services at highest level to fulfill the market needs and provide real estate services whether they were housing, rental or investment services. Edara’s businesses are in compatible with the highest level and this is adhered by a qualified and competent teamwork in the field of real estate management. It is characterized by first class real estate consulting services through the experiences acquired by the company along a period more than 15 years of success and good knowledge in the market which is unprecedented with peerless technical knowledge. Edara is very keen on helping the clients to achieve the highest level for their real estate assets and reduce the risks percentage to the lowest level.

Al Tijaria Real Estate Company has the ambition through “Edara” to create an additional value for the property and real estate owners in the state of Kuwait for everyone wishing to acquire comfort, safety and responsibility in following up and managing the properties with accumulated experiences and by the competent experiences and dedicate it to their benefit irrespective of the size of the property portfolio.

The wide experience of Al Tijaria Real Estate Company extends to several years in managing its properties and the other’s properties with all of its different kinds including housing, commercial, office and entertainment. . Among the distinguished property’s which were previously and ongoing by “Edara” within its activities to manage the other’s property’s are “Cube Mall and Boulevard”.



Investments of The Company (Geographically)



Subsidiaries and Associates

Subsidiaries Companies

Kuwait	Al Mutajara Real Estate Company Al Salmiya Group for Enterprise Development Company
Bahrain	The Commercial Real Estate Development Company
Morocco	The Commercial Real Estate Development Company

Associates Companies

Kuwait	Kuwait Commercial Markets Complex Company Kuwait Resorts Company Hajar Tower Real Estate Company Afkar Holding Company Al Jahraa Touristic Company Gulf Opportunities Company
Saudi Arabia	Bayan Real Estate Company
Morocco	Mozon Investment Holding
United Arab Emirates	Vacation Club Venture Company
Bahrain	Waves Budaiya Development Company WLL The Commercial Resorts Real Estate Development Company

The Commercial Resorts Real Estate Development Company
- A Subsidiary Company

Achievement of 85 % of overall building stage in Symphony Tower – Bahrain Kingdom

Symphony tower constructed on an area of 3,856 square meters at the center of Manama city, capital of Bahrain kingdom, consists of 46 floors and 351 apartments in addition to a diverse list of facilities making it ideal for the individuals wishing to enjoy the luxury of life and peace of mind. Symphony tower obtained the prize of the best architectural design for high-rise tower in the Arab and African property festival in 2017 for its unique and excellent design.

The tower offers a comprehensive range of amenities including an outdoor adults' swimming pool with Jacuzzi, an outdoor kids' pool with play area, an indoor infinity pool with Jacuzzi, separate gymnasiums for men and women including massage, steam room and sauna facilities, a business centre, a salon/spa and a games room. Other facilities include a lounge, three coffee shops, mini-market and barbecue area.

All the apartments come with a panoramic charming sea view and was designed to give the feeling of happiness and luxury. Apartments include studio units with area ranging from 39 to 48 Sqm, one bedroom, from 70 to 91 sqm. As for the two bedrooms units is between 119 to 153 Sqm. As for the three bedrooms units, the area is 199 Sqm.

The external structure of the unit has been completed in November, 2018. Work is still continuing currently in the internal finishes of the tower that include the floors, the ceilings, the kitchens and countertops, fitted wardrobes and flooring work, and toilets.

In addition to other finishes including lifts, facades and communal facilities which is almost 85% of total project progress. The Show apartments has been introduced to the clients beginning 2019 and sales has reached more than 50% of the total units for sale.



Al Salmiya Group for Enterprise
Development Company -
A Subsidiary Company



بوليفارد
boulevard

Boulevard

Boulevard is located in the center of Salmiya. It extends on 353,529 square meters facilitating access to it from all different directions and mainly in the fifth ring road and Arabian gulf street side.

Boulevard is considered a main attraction in Kuwait as it holds a lot of cultural, sport, and entertainment events throughout the year.

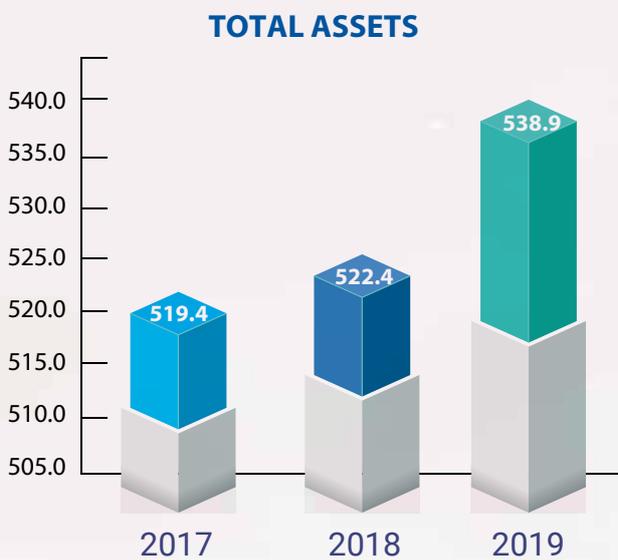
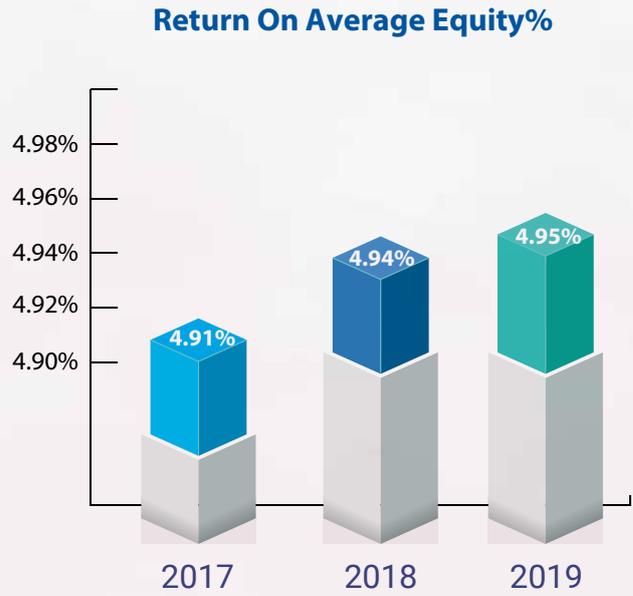
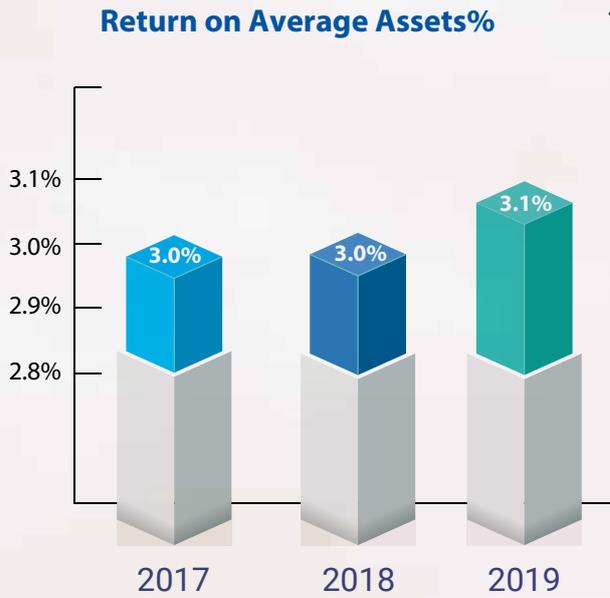
Boulevard embraces a vast lake and fascinating water channels through vast green gardens in addition to a group of modern facilities headed by boulevard mall that includes a great number of “ lobby” shops specialized for small and medium business and first class restaurant village overlooking the lake, in addition to a great number of sports areas and playgrounds equipped in the open area including tennis fields, foot-ball fields, basketball fields, huge cricket field with stadium for the public, fully equipped salon and spa for women with external swimming pool in addition to multi-purposes ballroom and 4 train stations and car parking that fits 1,958 cars.



Financial Indicators

Financial Indicators			
Million Kuwaiti dinars except the percent	2019	2018	2017
Capital Structure	178.7	178.7	178.7
Total Assets	538.9	522.4	519.4
Shareholders' Equity	294.5	293.5	290.3
Investment Properties	377.0	370.4	367.5
Net Profit	14.58	14.50	14.26
Returns on Average Assets	3.0%	3.0%	3.1%
Return On The Average of The Shareholders' Equity	4.95%	4.94%	4.91%
Returns on Capital	8.16%	8.10%	7.98%
EPS	8.3	8.25	8.09

Financial Indicators



Commercial Real Estate Company K.P.S.C.

And Subsidiaries - State of Kuwait

Consolidated Financial Statements and Independent
Auditors' Report For the year ended 31 December 2019

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Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C.

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Real Estate Company K.P.S.C (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters identified and how we addressed them in our audit.

Valuation of Investment Properties

The Group's investment properties portfolio is carried at KD 377,023,226 in the consolidated statement of financial position and the net fair value gain recorded in the consolidated statement of profit or loss is KD 1,863,235.

The determination of the fair value of these investment properties is based on internal and external valuations using discounted cash flows over the Group's estimated holding period, income capitalisation method and the sales comparable approach for the respective asset. The Group's discounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates and discount rates. Consequently the valuation of investment properties is a key audit matter due to the significant judgments applied and estimates made. In addition, the existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements.

In the event that the fair value of a real estate asset is higher or lower than its carrying amount, the Group will recognize a fair value adjustment in its consolidated statement of profit or loss.

Deloitte.

Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)

State of Kuwait

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

Key Audit Matters (continued)

Valuation of Investment Properties (continued)

Our Audit Procedures Included the following:

- We evaluated the design and implementation of relevant controls related to the valuation of investment properties.
- We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes.
- We agreed the total valuation in the valuers report to the amount reported in the consolidated statement of financial position.
- We tested the data inputs underpinning the investment property valuation for a sample of properties, including lease income, by agreeing them to supporting documentation to assess the reliability, completeness and accuracy of the underlying data.
- We also compared a sample of the valuations to our independently formed market expectations and challenged any differences.
- Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.
- We reperformed the arithmetical accuracy of the determination of recoverable amounts.
- We assessed the disclosures made in the consolidated financial statements against the requirements of IFRSs.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The annual report for the year 2019 is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)

State of Kuwait

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)

State of Kuwait

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2019 that might have had a material effect on the business of the Group or on its consolidated financial position.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.

Talal Yousef Al-Muzaini

Licence No. 209A

Deloitte & Touche - Al Wazzan & Co.

Kuwait, 10 March 2020



Consolidated Statement of Financial Position as at 31 December 2019
(All amounts are in Kuwaiti Dinar)

	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	5	24,208,755	24,881,238
Investment property	6	377,023,226	370,400,645
Investments in associates	7	47,039,108	47,308,182
Investments at FVOCI	8	38,678,198	34,252,835
		<u>486,949,287</u>	<u>476,842,900</u>
Current assets			
Land and properties held for trading	9	13,685,607	13,180,088
Investments at fair value through profit or loss	10	22,906,744	20,750,539
Receivables and other debit balances	11	11,287,721	9,974,210
Cash and cash equivalents	12	4,024,768	1,622,383
		<u>51,904,840</u>	<u>45,527,220</u>
Total assets		<u>538,854,127</u>	<u>522,370,120</u>
Equity and liabilities			
Equity attributable to the shareholders of the Parent Company			
Share capital	13	178,708,714	178,708,714
Share premium		1,308,384	1,308,384
Treasury shares	14	(3,196,562)	(3,599,426)
Statutory reserve	15	38,443,068	36,941,642
Voluntary reserve	16	28,580,127	27,829,414
Other reserve	17	5,200,726	5,374,271
Retained earnings		45,449,385	46,917,225
Total equity attributable to shareholders of the Parent Company		<u>294,493,842</u>	<u>293,480,224</u>
Non-controlling interests		<u>22,714,131</u>	<u>22,064,705</u>
Total equity		<u>317,207,973</u>	<u>315,544,929</u>
Liabilities			
Non-current liabilities			
Employees' end of service indemnity		953,146	949,902
Lease liabilities		2,542,755	-
Financing from third party	18	188,646,441	150,886,386
		<u>192,142,342</u>	<u>151,836,288</u>
Current liabilities			
Payables and other credit balances	19	15,910,199	17,237,231
Financing from third party	18	13,593,613	37,751,672
		<u>29,503,812</u>	<u>54,988,903</u>
Total liabilities		<u>221,646,154</u>	<u>206,825,191</u>
Total equity and liabilities		<u>538,854,127</u>	<u>522,370,120</u>

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



Abdul Fatah M.R. Marafie
Chairman



Adwan M. Al-Adwani
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar)

	Notes	2019	2018
Income			
Rental income of investment properties and hotel's revenue	20	30,224,982	30,923,402
Operating expenses	20	(9,988,778)	(10,344,987)
Sale of land and properties held for trading		254,839	1,390,884
Cost to sell land and properties held for trading		(206,369)	(662,491)
Net income from operating activities		20,284,674	21,306,808
Change in fair value for investment properties		1,863,235	(2,184,877)
(Impairment)/ reversal of impairment of land and real estate held for trading		(11,627)	22,025
Share of profit from investment in associate companies		2,604,094	2,573,344
Gain from investments	21	4,440,167	4,246,820
Other income		56,377	164,882
Total income		29,236,920	26,129,002
Expenses and other charges			
Staff costs		(2,484,723)	(2,326,784)
Expenses and other charges		(975,967)	(858,774)
Finance costs		(8,472,221)	(8,283,793)
(Provisions and impairment)/reversal	22	(93,933)	1,963,758
Finance claims	19	(531,991)	-
Total expenses		(12,558,835)	(9,505,593)
Net profit before deductions		16,678,085	16,623,409
Kuwait Foundation for the Advancement of Sciences (KFAS)		(94,316)	(97,771)
National Labour Support Tax (NLST)		(274,951)	(405,470)
Zakat Expense		(61,110)	(115,977)
Board of directors' remuneration		-	(108,000)
Net profit for the year		16,247,708	15,896,191
Distributed as follows:			
Shareholders of the Parent Company		14,583,884	14,503,751
Non-controlling interests		1,663,824	1,392,440
		16,247,708	15,896,191
Earnings per share for Parent Company's shareholders (fils)	23	8.30	8.25

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019*(All amounts are in Kuwaiti Dinar)*

	2019	2018
Net profit for the year	16,247,708	15,896,191
Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	<u>(514,633)</u>	<u>(562,519)</u>
<i>Items that may be reclassified subsequently to statement of income:</i>		
Group's share in associates' reserves	66,885	(628,762)
Foreign currency translation differences	<u>61,564</u>	<u>(37,549)</u>
	<u>128,449</u>	<u>(666,311)</u>
Total other comprehensive losses	<u>(386,184)</u>	<u>(1,228,830)</u>
Total comprehensive income for the year	<u>15,861,524</u>	<u>14,667,361</u>
Distributed as follows:		
Shareholders of the Parent Company	14,187,149	13,249,730
Non-controlling interests	<u>1,674,375</u>	<u>1,417,631</u>
	<u>15,861,524</u>	<u>14,667,361</u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar)

	Equity Attributable to Shareholders of the Parent Company						Non-	Total
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 17)	controlling interests	equity
Balance as at 1 January 2018	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	24,136,788	314,409,611
Impact of initial application of IFRS 9	-	-	-	-	-	1,125,077	-	-
Impact of initial application of IFRS 9 - associate	-	-	-	-	-	(542,833)	(3,358)	(546,191)
Balance as at 1 January 2018 (restated)	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	6,628,292	24,133,430	313,863,420
Acquisition of additional share in subsidiary	-	-	-	-	-	626,080	(2,923,806)	(2,297,726)
Cash dividends (Note 25)	-	-	-	-	-	(8,821,044)	-	(8,821,044)
Purchase of treasury shares	-	-	(1,391,040)	-	-	-	-	(1,391,040)
Transfer to retained earnings on disposal of FVOCI investment	-	-	-	-	-	86,508	-	86,508
Net profit for the year	-	-	-	-	-	14,503,751	1,392,440	15,896,191
Total other comprehensive losses for the year	-	-	-	-	-	(1,254,021)	25,191	(1,228,830)
Subsidiary dividend paid	-	-	-	-	-	-	(562,550)	(562,550)
Transferred to reserves	-	-	-	1,523,097	761,549	-	-	-
Balance as at 31 December 2018	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	22,064,705	315,544,929
Balance as at 1 January 2019	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	22,064,705	315,544,929
Impact of prior years adjustment of associate	-	-	-	-	-	-	-	-
Impact of initial application of IFRS 16 - associate	-	-	-	-	-	(21,689)	(6,270)	(27,959)
Impact of initial application of IFRS 16	-	-	-	-	-	-	(510,230)	(510,230)
Balance as at 1 January 2019	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	21,548,205	312,904,785
Net profit for the year	-	-	-	-	-	14,583,884	1,663,824	16,247,708
Total other comprehensive losses for the year	-	-	-	-	-	(396,735)	10,551	(386,184)
Sale of investment at FVOCI - associate	-	-	-	-	-	90,878	-	90,878
Sale of investment at FVOCI	-	-	-	-	-	(59,286)	11,905	107,789
Cash dividend (Note 25)	-	-	-	-	-	155,170	-	155,170
Dividend in kind from treasury shares (Note 25)	-	-	2,939,667	-	-	(8,699,846)	-	(8,699,846)
Cash dividend of subsidiary	-	-	-	-	-	(3,222,143)	-	(3,222,143)
Purchase of treasury shares	-	-	(2,536,803)	-	-	-	(520,354)	(520,354)
Transferred to reserve	-	-	-	1,501,426	750,713	-	-	(2,536,803)
Balance as at 31 December 2019	178,708,714	1,308,384	(3,196,562)	38,443,068	28,580,127	5,200,726	22,714,131	317,207,973

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

Consolidated Statement of Cash Flows for the year ended 31 December 2019
(All amounts are in Kuwaiti Dinar)

	Notes	2019	2018
Operating activities			
Net profit for the year		16,247,708	15,896,191
<i>Adjustments for:</i>			
Change in fair value of investment properties		(1,863,235)	2,184,877
Impairment/ (reverse) impairment of lands and properties held for trading		11,627	(22,025)
Gain from sale of land and properties held for trading		(48,470)	(728,393)
Share of profit from investments in associates		(2,604,094)	(2,573,344)
Net gain on investments	21	(4,440,167)	(4,246,820)
Depreciation of property, plant and equipment	5	1,875,401	1,817,090
Finance cost		8,472,221	8,283,793
Provision and impairment		93,933	(1,963,758)
Employees' end of service indemnity provided during the year		217,834	332,628
<i>Operating cash flow before changes in the working capital</i>		<u>17,962,758</u>	<u>18,980,239</u>
Payment for purchase of investment property		(3,758,963)	(482,312)
Purchase of land and real estate held for sale		(1,899,380)	(4,629,809)
Proceeds from sale of land and real estate held for trading		254,839	1,390,884
Receivables		(1,056,109)	(4,158,541)
Payables		121,295	(1,566,274)
Employees' end of service indemnity – paid during the year		(214,590)	(407,256)
Net cash generated from operating activities		<u>11,409,850</u>	<u>9,126,931</u>
Investing activities:			
Payment for purchase of property, plant and equipment	5	(1,027,436)	(335,410)
Payment to acquire additional share in subsidiaries	24	-	(2,297,726)
Payment to acquire shares in associates		(126,689)	(1,109,575)
Dividends received from associates		1,809,141	2,826,673
Payment to acquire investment at FVOCI		(4,913,420)	(6,042,099)
Proceeds on sale of investment at FVOCI		1,143,883	873,786
Proceeds on sale of investments at fair value through profit or loss		11,666	8,906,069
Payment to acquire investments at fair value through profit or loss		(603,679)	-
Cash dividend received		2,863,117	2,393,908
Deposits with financial institutions		(200,000)	-
Net cash (used in)/ generated from investing activities		<u>(1,043,417)</u>	<u>5,215,626</u>
Financing activities:			
Proceeds from financing from third party		46,533,190	61,837,901
Repayment of financing from third party		(32,931,194)	(58,115,300)
Payment for buy-back of treasury shares		(2,536,803)	(1,391,040)
Cash dividend paid		(10,331,514)	(8,365,499)
Finance cost paid		(8,377,373)	(8,961,116)
Non-controlling interests		(520,354)	(562,550)
Net cash used in from financing activities		<u>(8,164,048)</u>	<u>(15,557,604)</u>
Net change in cash and cash equivalents		<u>2,202,385</u>	<u>(1,215,047)</u>
Cash and cash equivalents at beginning of the year		<u>1,622,383</u>	<u>2,837,430</u>
Cash and cash equivalents at end of the year	12	<u>3,824,768</u>	<u>1,622,383</u>

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

1. Incorporation and activities

The Commercial Real Estate Company (K.P.S.C) ("the Parent Company") was incorporated as a Kuwaiti Shareholding Closed Company under Articles of Association No. 104/ M/ Vol.1 on 4 February 1968 under Commercial register No. 11329 and re-enrolled on 21 December 1981 under No. 239 in accordance with provision of the Commercial Companies Law. The main objectives of the Company are performing various real estate, agricultural, industrial and commercial activities, carrying out contracting and building constructions including sale, purchase, lease of real estate properties and investing surplus cash in equity markets through investment portfolios managed by specialized companies and financial institutions; and establishing and managing real estate funds for its own account and for third parties. The Company may also participate in any suitable investments in entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may purchase such entities, either as a subsidiary or as an associate, affiliate them as stated in Company's Articles of Association, article No. 5 and Memorandum of Association, article No. 4. The Company's management shall carry out all its objectives for which it has been established in accordance with the Noble Islamic Sharia principles.

The head office of the Parent Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company's Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Parent Company has been registered in the Borsa Kuwait on 21 December 2004.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries set out in note (24), ("together referred to as the Group").

The consolidated financial statements were authorized for issue by the Board of Directors on 10 March 2020.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are re-measured at fair value, as explained in the accounting policies below.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 New and amended IFRS Standards that are effective for the current year

The Group has adopted the new and amended standards and interpretations that became effective in the current period. The adoption of these standards and interpretations has no material impact on the financial statements of the Group, except as mentioned below:

IFRS 16 "Leases"

General impact

IFRS 16 'Leases' replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases - Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Impact on accounting policy

Until the 2018 financial year, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group unless the term is 12 months or less or the lease for low value asset. Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Impact on financial position as at 1 January 2019:

- Investments in associate – decrease by KD 27,959
- Retained earnings – decrease by KD 2,330,398
- Non-controlling interests - decrease by KD 516,500
- Lease liabilities – increase by KD 2,818,939

2.2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Effective for annual periods beginning on or after

January 1, 2020

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

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New and revised IFRSs

Definition of a Business – Amendments to IFRS 3 *Business Combinations*

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Amendments to references to the Conceptual Framework in IFRS Standards.

Amendments to references to the Conceptual Framework in IFRS Standards related to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 – *Financial Instruments*

Amendments regarding pre-replacement issues in the context of the IBOR reform

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Effective for annual periods beginning on or after

January 1, 2020

January 1, 2020

January 1, 2020

Effective date deferred indefinitely. Adoption is still permitted.

2.3 Significant accounting policies

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date in which the Parent Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, or the cost on initial recognition of an investment in an associate or a joint venture.

Where applicable, adjustments are made to bring the accounting policies of the subsidiary in line with those of the Group. The difference in reporting date of the subsidiary and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

Business combinations

Acquisitions of business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests that have previously been recognised in the consolidated statement of other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were fully disposed off.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Goodwill

Goodwill, arising on an acquisition of a subsidiary, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates

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

The results of business, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and any other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate, (including any long-term interests represent a part of the Group's net investment in an associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Upon acquisition of an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income.

Requirements of IFRS 9 are applied to determine whether it is necessary to recognize the impairment losses of the associates. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the requirements of IAS No. (36) "Impairment of Assets."

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in Group financial statement only to the extent of interests in the associate, that are not related to the Group.

2.3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any subsequent accumulated impairment losses. Cost includes the purchase price and any directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, these expenditures are capitalised.

Property, plant and equipment depreciation is calculated using the straight line method on the basis of estimated useful lives except for land which is carried at cost less impairment losses. Property, plant and equipment amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period. Change in estimations are accounted for as of the beginning of the financial year in which the change arises. Gains or losses on disposals of property, plant, and equipment are determined by the difference between the sales proceeds and the net carrying amount of the asset and is recognized in the consolidated income statement.

2.3.3 Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss arising on disposal of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income for the period in which they arise.

2.3.4 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal or value in use. Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment is reversed, the impairment is recognised to the extent of the net carrying amount had no impairment been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.5 Financial instruments

Classification and measurement of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective and in order to generate contractual cash flows. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The stated policies and objectives for the financial assets and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group classifies its financial assets upon initial recognition into the following categories:

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

Financial assets carried at Amortised cost

A financial asset is carried at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the statement of profit or loss and other comprehensive income. Cash and cash equivalents and receivables are classified at amortized cost.

Financial asset carried at fair value through profit or loss

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

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

Financial assets carried at fair value through other comprehensive income

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to Consolidated statement of income. Dividends are recognised in consolidated statement of income when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Reclassification of financial assets

The Group only reclassifies its financial assets subsequent to their initial recognition upon change in business model.

Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

Group recognizes ECL for cash and bank balances using the general approach and uses the simplified approach for receivables as required by IFRS 9.

General approach

Under general approach, assets migrate through the three stages based on the change in credit quality since initial recognition. The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is objective evidence of impairment.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar credit risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Event of default

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Recognition and de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

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Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

The fair value of financial instruments is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost.

2.3.6 Land and Properties held for trading

Land and real estate held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate, where the cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or net realisable value on an individual basis. Net realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains or losses from the sale of land and property held for trading are reported in the consolidated statement of income by the difference between sale value and its book value.

2.3.7 Employees' end of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Regarding the Non-Kuwaitis labour in other countries; the indemnity is calculated based on law applicable in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of employees on the consolidated financial statement's date. The management expects that this method would result in a reliable approximation of the present value of the Group's liability.

2.3.8 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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2.3.9 Equity, reserves and dividend payments

Issued ordinary shares are recorded within equity. Direct costs relating to issuing of shares are reduced from the amounts received for issuing these shares within equity under share premium. Share capital represent the nominal value of the shares issued.

Dividends are recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

2.3.10 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance. Any additional losses are charged to retained earnings, then to reserves and premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment where the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulted from the settlement of such transactions and from the translation at year-end are recorded in the Consolidated statement of Income.

Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that consolidated financial statements.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

2.3.12 Revenue recognition

Rental income from investment property and hotel income are recorded point in time, when the service is rendered.

Gains and losses resulting from the sale of financial investments, investment property and land and real estate held for trading are recognised in consolidated statement of income when sale is completed.

Dividends income resulting from investment is recognized in the consolidated statement of income when the right to receive them is established.

2.3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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2.3.14 Leasing

Policy applicable from 1 January 2019

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

According to usage nature of the leased asset, the Company classifies the asset within a group of related assets. If the asset meets the definition of real estate investment "IAS 40", the Group measures the asset based on the accounting policy adopted in measuring real estate investments owned by the Group (Note 2.3.3). However, if the asset meets the definition of property, plant and equipment, the Group measures the asset as per the accounting policy adopted in measuring the property, plant and equipment (Note 2.3.2.)

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

Policy applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognized in consolidated statement of income as expenses on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.3.15 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group for the year. As per Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Zakat

The Group calculates zakat in accordance with the Ministry of Finance resolution No. 46 of 2006. They are recognized as expense in the relevant period on accrual basis.

3. Financial risk management

3.1 Financial risks

The Group's activities expose it to a variety of financial risks, which are market risks (which include foreign currency risks and risks of fair value resulting from interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and market prices risks) in addition to credit risk and liquidity risks.

The Group's Risk Management focuses on the unpredictable issues in the financial markets in order to reduce the potential negative impact on the financial performance of the Group to the minimum. The Group currently does not use hedging instruments to manage its exposure to these risks. Group does not have any interest bearing assets or liabilities carried at fair value and therefore are not exposed to fair value risk.

A) Market risk

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates.

The Group is exposed to this risk as a result of holding financial assets and liabilities in foreign currencies, primarily in US Dollar, Sterling Pound and Bahraini Dinar. The Group's management constantly monitors the change in exchange rates of foreign currencies that might negatively affect the Group's results.

The following is the net positions of foreign currencies denominated in KD as at the consolidated financial statements date:

	2019	2018
US Dollar	30,503,485	27,662,229
Sterling Pound	12,396,052	9,973,953
Bahraini Dinar	37,868,995	34,078,530
Other	20,929,363	19,770,409

The following is the effect of change of foreign exchange rates by 5% against Kuwaiti Dinar, with all other variables are held constant on the Group's equity/consolidated statement of income:

	2019		2018	
	Equity	Statement of income	Equity	Statement of income
US Dollar	705,486	819,688	592,587	790,525
Sterling Pound	490,745	129,058	387,190	111,507
Bahrain Dinar	8,325	1,885,125	18,285	1,685,641
Other	642,778	403,690	665,836	322,684

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Profit rate risks

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is not exposed to interest rate risk as the Group works under Noble Principles of Islamic Sharia and the profit rates are fixed during the contractual maturity period.

Fair value risks

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Financial instruments, which potentially subject the market risk, consist of investment at fair value through statement of income and investments at FVOCI. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value. The Group maintains its quoted investments with specialized investment companies. Monthly reports on investments performance are sent to the Group management for follow up and decisions making. Effect of the fair value changes in the market prices is considered to be limited relatively to the Group's activity.

B) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist of bank balances. The Group manages this risk by placing money with high credit rating financial institutions.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The following table contains an analysis of the maximum credit risk exposure of financial instruments:

	2019	2018
Bank balances	4,018,583	1,598,695
Receivables	7,357,665	6,991,296
Due from related parties	172,643	130,141
Refundable deposits	332,756	349,530
Other debit balance	178,361	149,668
	<u>12,060,008</u>	<u>9,219,330</u>

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

The ECL charge on due from related parties, refundable deposits and other receivables as on 1 January 2019 and for the year ended 31 December 2019 are not material.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

31 December 2019

	0-90 Days	91-180 days	181-365 days	> 365 days	Total
Gross carrying amount	1,197,366	784,003	1,085,342	4,290,954	7,357,665
Lifetime ECL	55,946	48,260	82,411	4,290,953	4,477,570

01 January 2019

	0-90 Days	91-180 days	181-365 days	> 365 days	Total
Gross carrying amount	2,133,751	333,084	344,496	4,179,965	6,991,296
Lifetime ECL	87,500	110,503	254,117	4,179,965	4,632,085

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

C) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, and long-term liquidity management requirements. The Group manages liquidity risk through maintaining adequate assets, which are easily convertible into cash and also by securing banking facilities in addition to ongoing monitoring of the expected and actual cash flows and maturity profile of financial assets and liabilities.

The table below analyses the non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Borrowings	3,382,125	26,818,010	184,564,539	17,430,626	232,195,300
Accounts payable	1,901,985	12,455,449	-	-	14,357,434

	2018				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Borrowings	6,049,906	41,453,315	148,419,791	24,455,736	220,378,748
Accounts payable	3,038,739	11,150,934	-	-	14,189,673

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, enabling it to provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital structure consists of finance obtained from third party less cash and cash equivalents in addition to equity.

The Group manages the capital risk by continuously monitoring the gearing ratio.

The gearing ratio at year end was as follows:

	2019	2018
Financing from third party	202,240,054	188,638,058
Less: cash and cash equivalents	(4,024,768)	(1,622,383)
Net debt	198,215,286	187,015,675
Total equity	317,207,973	315,544,929
Gearing ratio (%)	62.49	59.27

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

3.3 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows:

- Level 1 Quoted prices in active markets for quoted financial instruments.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value of financial assets and liabilities of the Group measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value level	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	2019	2018				
Investments at fair value through other comprehensive income						
Quoted shares	94,215	111,309	1	Last bid price	N/A	N/A
Private equity	38,158,088	33,713,166	3	Income approach/ market multiple model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investment funds	425,695	428,360	3	Income approach/ market multiple model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investments at fair value through profit or loss:						
Quoted shares	577,723	595,500	1	Last bid price	N/A	N/A
Private equity	22,329,021	20,155,039	3	Income approach/ market multiple model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Fair value of financial assets and liabilities of the Group not measured at fair value on a recurring basis:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
- Due from related parties	172,643	172,643	130,141	130,141
- Receivables	5,221,356	5,221,356	3,078,766	3,078,766
- Cash and cash equivalents	4,024,768	4,024,768	1,622,383	1,622,383
	<u>9,418,767</u>	<u>9,418,767</u>	<u>4,831,290</u>	<u>4,831,290</u>
Financial liabilities:				
- Financing from third party	202,240,054	199,868,089	188,638,058	187,320,489
- Payables	15,910,199	15,910,199	17,237,231	17,237,231
	<u>218,150,253</u>	<u>215,778,288</u>	<u>205,875,289</u>	<u>204,557,720</u>

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. There are no transfers between fair value levels during the year.

4. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements:

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

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the Management has applied judgments and estimates to determine the incremental borrowing rate.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "at FVOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

Classification of real estate investments

Management decides on acquisition of real estate whether it should be classified as held for trading or investment property.

The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Practicing significant influence

The Group's investments in Afkar Holding Company have been classified as associates although the Group only owns 19.35% of their shares. The Group has significant influence over these entities through its representation in their Board of Directors' by two members out of seven.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. In case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.3, 6 and 9).

Impairment of tangible and intangible assets

The Group reviews the tangible and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Evidence of impairment of investments

The Group estimates impairment for all investments carried at amortized cost or fair value through consolidated statement of income except for equity instruments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Note 23 sets out the impact of that on the consolidated financial statements.

Impairment of associates

Impairment testing of the associate is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associate including goodwill. Note 23 sets out the impact of that on the consolidated financial statements.

Impairment of financial assets

The Group estimates expected credit loss for all financial assets carried at amortized cost or fair value through consolidated statement of profit or loss except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer note 2.3.5 impairment of financial assets for more information.

Contingent liabilities

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not fully within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (Note 28).

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

5. Property, plant and equipment

	Land & buildings	Furniture & fittings	Furniture & utensils	Office equipment & tools & vehicle	Total
Cost					
Balance at 1 January 2018	26,388,143	11,142,249	3,586,357	1,507,762	42,624,511
Additions	3,900	28,074	57,410	246,026	335,410
Balance at 31 December 2018	26,392,043	11,170,323	3,643,767	1,753,788	42,959,921
Additions	1,108	896,276	37,331	268,203	1,202,918
Balance at 31 December 2019	26,393,151	12,066,599	3,681,098	2,021,991	44,162,839
Accumulated depreciation					
Balance at 1 January 2018	4,015,668	7,724,402	3,586,066	935,457	16,261,593
Depreciation for the year	566,460	1,080,468	8,838	161,324	1,817,090
Balance at 31 December 2018	4,582,128	8,804,870	3,594,904	1,096,781	18,078,683
Depreciation for the year	569,080	1,099,883	12,800	193,638	1,875,401
Balance at 31 December 2019	5,151,208	9,904,753	3,607,704	1,290,419	19,954,084
Net carrying value					
As at 31 December 2019	21,241,943	2,161,846	73,394	731,572	24,208,755
As at 31 December 2018	21,809,915	2,365,453	48,863	657,007	24,881,238
Useful lives (years)	40	5-10	5	3-6	

6. Investment properties

These represent commercial, residential properties and lands most of which are located in the State of Kuwait. The movement in investment properties during the year was as follows:

	2019	2018
Balance at 1 January	370,400,645	367,511,385
Additions during the year	3,758,963	482,312
Transferred from Land and properties held for trading	1,175,865	4,591,825
Transferred to property, plant and equipment	(175,482)	-
Change in fair value	1,863,235	(2,184,877)
Balance at 31 December	377,023,226	370,400,645

The fair value of the Group's investment properties as at 31 December 2019 are estimated based on valuations carried out by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at the relevant locations.

The fair value of investment properties was determined using the net income capitalisation rate method, using market rental income of all units of the properties and is classified as Level 3. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The valuation model used involves significant unobservable inputs including the average capitalisation rate. Average capitalisation rate used in valuation taking into account the capitalisation of rental income, nature of the property and prevailing market conditions is 7.5% (7.5% - 31 December 2018).

An increase in the capitalisation rate used would result in a decrease in the fair value, and vice versa.

In estimating the fair value of the investment properties, their current use was assumed to be highest and best use of these properties.

Investment properties include properties of KD 271,853,260 as at 31 December 2019 (KD 282,472,540 - 31 December 2018) pledged to local financial institutions as collateral for finance obtained by the Group (Note 18).

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

7. Investments in associates

7.1 Financial information

Company	Country of incorporation	Principal activity	Ownership %		2019	2018
			2019	2018		
Hajar Tower Real Estate Co.	Kuwait	Real Estate	27.42	27.42	8,974,061	9,308,917
Kuwait Resorts Co.	Kuwait	Services	36.02	34.93	9,742,202	8,938,199
Bayan Real Estate Co.	Saudi Arabia	Real Estate	22.71	22.71	4,664,495	4,556,970
Afkar Holding Co.	Kuwait	Holding	19.35	19.35	2,829,925	3,000,000
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	23.13	22.84	2,773,715	2,754,369
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	701,042	904,459
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	10,849,429	11,363,863
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,246,773	4,226,709
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,552,567	1,556,502
Other					704,899	698,194
					47,039,108	47,308,182

All investments above are accounted for using equity method in these consolidated financial statements.

Kuwait Resorts Company is quoted in an active market and has a fair value of KD 4,024,399 as at 31 December 2019 (KD 3,563,393 - 31 December 2018).

Summarised financial information in respect of each of the Group's material associates are stated below.

The summarised financial information below represents the amounts shown in the associate latest available financial statements prepared in accordance with International Financial Reporting Standards:

Kuwait Resorts Co.

	2019	2018
Current assets	20,129,755	19,584,673
Non-current assets	13,087,070	15,038,961
Current liabilities	4,825,663	5,761,335
Non-current liabilities	879,089	2,856,066
	2019	2018
Revenue	7,252,622	7,918,580
profit for the year	1,220,733	1,269,061
Total other comprehensive income/ (loss)	776,520	(211,008)
Dividends received from associate during the year	-	304,073

Hajar Tower Real Estate Company

	2019	2018
Current assets	24,921,522	20,893,956
Non-current assets	33,576,957	35,977,148
Current liabilities	12,779,526	9,195,349
Non-current liabilities	12,732,046	13,467,860
	2019	2018
Revenue	17,260,041	14,995,436
Profit for the year	3,795,016	1,620,043
Dividends received from associate during the year	1,375,600	1,100,480

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Al Jahra Tourism Co.

	2019	2018
Current assets	6,954,705	6,819,389
Non-current assets	19,709,348	21,297,503
Current liabilities	1,002,445	1,651,227
Non-current liabilities	1,483,340	1,140,935
	2019	2018
Revenue	6,748,013	7,495,042
Profit for the year	3,206,577	3,122,322
Dividends received from associate during the year	1,659,141	1,422,120

Aggregate information of associates that are not individually material

	2019	2018
The Group's share of income from continuing operations	(218,331)	183,184
The Group's share of other comprehensive income/(loss) for the year	51,761	(804,463)
The Group's share of total comprehensive income/(loss) for the year	(166,570)	(621,279)
Aggregate carrying amount of the Group's interest in these associates	17,473,416	17,697,204

8. Investment at FVOCI

	2019	2018
Investment in quoted shares	94,215	111,309
Investment in private equities managed by others	38,158,088	33,713,166
Investment funds	425,895	428,360
	38,678,198	34,252,835

9. Land and properties held for trading

	2019	2018
Balance as at 1 January	13,180,088	13,782,570
Additions	1,899,380	4,629,809
Transfer to Investment properties	(1,175,865)	(4,591,825)
Sales during the year	(206,369)	(662,491)
(Impairment)/ reversal of impairment	(11,627)	22,025
Balance as at 31 December	13,685,607	13,180,088

The fair values were determined based on the market comparable approach for the areas in which the properties are located, taking into account the properties nature, location and stage of development.

10. Investments at fair value through profit or loss

This represent investment in private equities managed by others. The fair values of such investment were estimated based on the investment's managers reports as set out in note 3.3.

11. Receivables and other debit balances

	2019	2018
Trade receivables	7,357,665	6,991,296
Due from related parties (Note 26)	172,643	130,141
Provision for expected credit losses	(4,477,570)	(4,632,085)
	3,052,738	2,489,352
Advance payments for acquisition of investments	83,149	1,160,287
Advance payment for purchase of land	4,873,614	4,757,989
Advances to contractors and suppliers	754,488	740,597
Prepaid expenses	182,471	106,429
Refundable deposits	332,756	349,530
Other debit balances	2,008,505	370,026
	11,287,721	9,974,210

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Trade receivables include an amount of KD 6,153,536 that is past due and impaired as at 31 December 2019 for which the Group has recognized a provision of KD 4,477,570 (KD 6,175,938 with a provision of KD 4,632,085 - 31 December 2018).

Aging of past due but not collected trade and other receivables as at 31 December 2019 is as follows:

	2019	2018
30 - 60 days	663,446	656,685
60 - 90 days	170,638	158,081
90 - 120 days	121,017	173,284
Above 120 days	5,198,435	5,187,888
	<u>6,153,536</u>	<u>6,175,938</u>

Movement of provision for expected credit losses for the year:

	2019	2018
Balance as at 1 January	4,632,085	4,514,459
Provided during the year	293,751	386,709
Reversal of provision for Expected credit losses	(225,365)	-
Write off	(222,901)	(269,083)
Balance as at 31 December	<u>4,477,570</u>	<u>4,632,085</u>

12. Cash and cash equivalents

	2019	2018
Cash in hand	6,185	23,688
Cash at banks and financial institutions	3,268,583	1,598,695
Deposits with financial institution	750,000	-
	<u>4,024,768</u>	<u>1,622,383</u>
Less: deposits with financial institution more than 3 months	(200,000)	-
Cash and cash equivalent for cash flow	<u>3,824,768</u>	<u>1,622,383</u>

The profit rate for the deposit is 2.9%

13. Share capital

The authorized, issued, and paid up share capital of the Parent Company is KD 178,708,714 (KD 178,708,714 - 31 December 2018) distributed over 1,787,087,137 shares (1,787,087,137 shares - 31 December 2018) with a nominal value of 100 fils each, fully paid up in cash.

14. Treasury shares

	2019	2018
Number of shares	35,125,820	42,326,225
Proportion to issued shares (%)	1.96	2.37
Market value	3,319,390	3,894,013
Cost	3,196,562	3,599,426

The Parent Company is required to retain reserves and retained earnings equivalent to cost of treasury shares during this period they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

Treasury shares of 14,887,324 shares are held by a subsidiary as of 31 December 2019 (14,595,416 shares - 31 December 2018).

15. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration, and Zakat is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when this reserve equals 50% of the paid up share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

16. Voluntary reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, a percentage of the net profit for the year, as proposed by the board and agreed by shareholders during the annual general assembly, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration and Zakat is transferred to the voluntary reserve. Such transfers can be discontinued by a resolution adopted by the general assembly as recommended by the Board of Directors. The Parent Company's Board of Directors has proposed to transfer 5% of the net profit for the year to the voluntary reserve.

17. Other reserves

	Change in fair value reserve	Group's share in associates' reserves	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Treasury shares reserve	Total
Balance as at 1 January 2018	1,039,636	864,284	5,547,886	301,563	-	7,753,369
Impact of initial application of IFRS 9	(1,125,077)	-	-	-	-	(1,125,077)
As at 1 January 2018 (restated)	(85,441)	864,284	5,547,886	301,563	-	6,628,292
Total comprehensive losses	(587,710)	(628,762)	-	(37,549)	-	(1,254,021)
Balance as at 31 December 2018	(673,151)	235,522	5,547,886	264,014	-	5,374,271
Balance as at 1 January 2019	(673,151)	235,522	5,547,886	264,014	-	5,374,271
Total comprehensive (losses)/ income	(524,895)	66,596	-	61,564	-	(396,735)
Sale of investment at FVOCI	(59,286)	-	-	-	-	(59,286)
Dividend in kind from treasury shares	-	-	-	-	282,476	282,476
Balance as at 31 December 2019	(1,257,332)	302,118	5,547,886	325,578	282,476	5,200,726

18. Financing from third parties

Financing from third parties represent murabaha and tawaruq contracts from banking institutions inside and outside of Kuwait

Financing from third parties are analysed as follows:

	2019	2018
Current portion	13,593,613	37,751,672
Non-current portion	188,646,441	150,886,386
	<u>202,240,054</u>	<u>188,638,058</u>

Average cost of financing from third parties is 4.19% as at 31 December 2019 (4.39% - 31 December 2018).

The maturity analysis is set out in note (3.1).

The Group obtained finance against pledge of 245,697,583 shares as of 31 December 2019 (245,697,583 shares - 31 December 2018) of Al Salmia Group (subsidiary) in addition to the following assets:

	2019	2018
Property, plant and equipment	22,879,762	24,376,572
Investment properties (Note 6)	271,853,260	282,472,540

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

19. Payables and other credit balances

	2019	2018
Trade payables	1,839,956	1,637,954
Due to related party (Note 26)	32,167	189,717
Retentions	1,056,868	776,988
Accrued expenses	3,132,105	3,387,402
Rent received in advance	575,262	1,134,885
Deposits from others	3,716,211	3,561,444
Kuwait Foundation for the Advancement of Science (KFAS)	94,316	97,771
National Labor Support Tax	274,951	405,470
Zakat	61,110	117,539
Dividends payable to shareholders	260,817	1,892,485
Finance claim *	-	1,575,699
Other payables **	4,821,436	2,459,877
	<u>15,910,199</u>	<u>17,237,231</u>

* During the year ended 31 December 2019, the Group received final approval from the General Authority for Zakat and Income in the Kingdom of Saudi Arabia to settle the dispute relating to Zakat claims. The final settlement claim amounted to KD 2,107,690. Accordingly, the Group has provided the financial claims with the amount of KD 531,991 and the Group has settled the settlement amount in the subsequent period.

** Other credit balances include lease liabilities of KD 188,797 due within 12 months.

20. Net income from operating activities

	2019	2018
Real estate rental income	25,248,463	25,386,078
Hotel and hospitality revenues	4,976,519	5,537,324
Total revenues	30,224,982	30,923,402
Property expenses	(4,705,819)	(4,881,291)
Hotel and hospitality expenses	(5,282,959)	(5,463,696)
	<u>20,236,304</u>	<u>20,578,415</u>

Hotel expenses include an amount of KD 1,730,808 that represents the current year depreciation of the hotel building and related equipments (KD 1,688,915 - 31 December 2018).

21. Gain from investments

	2019	2018
Investment at FVOCI		
Cash dividends	2,546,719	2,022,345
	<u>2,546,719</u>	<u>2,022,345</u>
Investments at fair value through profit or loss		
Gain from change in fair value	1,454,909	1,206,371
Cash dividends	426,873	478,219
Gain from sale	11,666	539,885
	<u>1,893,448</u>	<u>2,224,475</u>
	<u>4,440,167</u>	<u>4,246,820</u>

22. Provision and impairment

	2019	2018
(Impairment)/ reversal of impairment related to investment in associates	(25,547)	2,350,467
Net movement in provision for credit losses	(68,386)	(386,709)
	<u>(93,933)</u>	<u>1,963,758</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

23. Earnings per share attributable to the Parent Company's shareholders

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Parent Company for the year by the weighted average number of shares outstanding during the year, taking into account the treasury shares weighted average as follows:

	2019	2018
Net profit (KD)	14,583,884	14,503,751
Weighted average number of outstanding shares (share)	1,756,285,927	1,757,398,458
Basic earnings per share (fls)	8.30	8.25

24. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and its affiliated entities as follows:

Company name	Activity	Country of incorporation	Shareholding percent (%)	
			2019	2018
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.57	77.57
Commeriale Real Estate Development Co.	Real Estate	Kingdom of Bahrain	100	100
Commeriale Real Estate Development Co.	Real Estate	Morocco	100	100
Al-Salmiya Group for Project Development Company	Real Estate	State of Kuwait	81.90	81.90

Summary of the financial statements of the Group's subsidiaries including significant non-controlling interests is as follows:

Salmiya Group for Project Development Company

	2019	2018
Current assets	1,441,584	844,695
Non-current assets	69,860,000	71,651,000
Current liabilities	1,247,445	3,606,588
Non-current liabilities	16,080,538	14,846,284
Equity attributable to shareholders of the Parent Company	44,203,715	44,260,632
Non-controlling interests	9,769,886	9,782,191
	2019	2018
Revenue	5,110,070	3,770,658
Expenses	(2,360,147)	(2,716,023)
Profit for the year	2,749,923	1,054,635
Profit for the year attributable to shareholders of the Parent Company	2,251,998	858,941
Profit for the year attributable to non-controlling interests	497,925	195,694
Total comprehensive income attributable to shareholders of the Parent Company	2,251,998	858,940
Total comprehensive profit attributable to non-controlling interests	497,925	195,694
Total comprehensive income for the year	2,749,923	1,054,634
	2019	2018
Net cash flow generated operating activities	3,772,828	1,520,697
Net cash flow used in investing activities	(326,156)	(194,766)
Net cash flow used in financing activities	(2,874,795)	(1,232,821)
Net change in cash and cash equivalents of the subsidiary	571,877	93,110

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Al Mutajara Real Estate Company

	2019	2018
Current assets	9,720,419	7,033,370
Non-current assets	66,085,882	66,537,000
Current liabilities	1,941,228	1,969,141
Non-current liability	15,108,600	15,899,200
Equity attributable to shareholders of the Parent Company	45,812,228	43,419,515
Non-controlling interests	12,944,245	12,282,514
	2019	2018
Revenue	6,172,778	5,916,467
Expenses	(862,690)	(916,136)
Profit for the year	5,310,088	5,000,331
Profit for the year attributable to shareholders of the Parent Company	4,144,189	3,803,585
Profit for the year attributable to non-controlling interests	1,165,899	1,196,746
Total comprehensive income attributable to shareholders of the Parent Company	5,357,134	5,112,659
Total comprehensive income attributable to non-controlling interests	1,176,450	1,221,937
Total comprehensive income for the year	4,180,684	3,890,722
Dividends paid to non-controlling interests	520,354	562,550
Net cash flow generated/ (used in) from operating activities	1,421,143	6,682,724
Net cash flow generated/ (used in) from investing activities	2,554,170	(2,163,634)
Net cash flow used in financing activities	(3,526,209)	(4,528,882)
Net change in cash and cash equivalents of the subsidiary	449,104	(9,792)

25. Dividends

On 7 April 2019, the Annual General Ordinary Assembly was held and approved distribution of cash dividends to the shareholders of record as of the due date at 5% after deduction of treasury shares, and distribution of bonus share of 2% from the paid up share capital distributed from treasury shares (2 treasury share per 100 shares) for the year ended 31 December 2018 (cash dividends of 5 fils each by 5% - 31 December 2017).

For 2019, the Parent Company's Board of Directors proposed cash dividends of 5% and bonus shares of 3% for the year ended 31 December 2019. This proposal is subject to the shareholders' approval at the Annual General Assembly Meeting and the regulatory authorities.

26. Related parties transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, key management personnel, associates and the companies, in which the Company has representatives in their board. Significant related party transactions and resulting balances were as follows:

	2019	2018
Transactions		
Key management remuneration	1,024,600	835,408
Purchase of an additional shares in subsidiary	-	2,250,000
Purchase of lands and real estate held for trading	484,797	-
Operating income	19,352	-
Operating expenses and other charges	343,286	-
Purchase of property, plant and equipment	234,270	-
Balances		
Receivables and other debit balances (Note 11)	172,643	130,141
Advance payment to contractors and suppliers	154,535	-
Payables and other credit balances (Note 19)	32,167	189,717
Key management remuneration	593,720	503,326

Balances due from/to related parties are interest-free and payable on demand. All related party transactions are subject to approval of the shareholders' General Assembly.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

27. Capital commitments

	2019	2018
Uncalled capital – investments	442,675	436,429
Contracts for projects under development	3,165,307	6,836,699
Other	-	3,296,235
	<u>3,607,982</u>	<u>10,569,363</u>

28. Contingent liabilities

	2019	2018
Letter of guarantee	<u>3,459,088</u>	<u>3,760,481</u>

29. Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, products and services, class of customers where appropriate are aggregated and reported as reportable segments. The Group is organized into three major business segments; real estate, hotel and investment. These segments results are reported to senior executive management. Further, the Group's operating results, assets and liabilities are reported according to geographical areas, in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases adopted in preparation of the consolidated financial statements.

Business segment analysis in line with internal reports submitted to the management is as follows:

	2019			
	Real estate sector	Hotel	Investment sector	Total
Revenue	27,354,910	4,976,519	7,044,261	39,375,690
Direct cost	(6,035,957)	(5,282,959)	(814,516)	(12,133,432)
Gross profit	<u>21,318,953</u>	<u>(306,440)</u>	<u>6,229,745</u>	<u>27,242,258</u>
Unallocated costs				(10,994,550)
Net profit				<u>16,247,708</u>

	2018			
	Real estate sector	Hotel	Investment sector	Total
Revenue	24,614,110	5,537,324	9,170,631	39,322,065
Direct cost	(6,898,162)	(5,463,696)	(211,673)	(12,573,531)
Gross profit	<u>17,715,948</u>	<u>73,628</u>	<u>8,958,958</u>	<u>26,748,534</u>
Unallocated costs				(10,852,343)
Net profit				<u>15,896,191</u>

Geographic distribution

	2019			
	State of Kuwait	Gulf Countries	Other	Total
Total income	23,060,925	3,413,601	2,762,394	29,236,920
Total expenses	(10,775,410)	(2,213,802)	-	(12,989,212)
Net profit/(loss)	<u>12,285,515</u>	<u>1,199,799</u>	<u>2,762,394</u>	<u>16,247,708</u>

	2018			
	State of Kuwait	Gulf Countries	Other	Total
Total income	20,426,114	4,304,448	4,024,689	28,755,251
Total expenses	(9,845,321)	(3,013,739)	-	(12,859,060)
Net profit/(loss)	<u>10,580,793</u>	<u>1,290,709</u>	<u>4,024,689</u>	<u>15,896,191</u>

Geographic distribution of assets and liabilities

	Assets		Liabilities	
	2019	2018	2019	2018
State of Kuwait	432,220,436	427,735,500	191,231,618	175,756,333
Gulf countries	60,004,459	51,705,543	30,414,536	31,068,858
Other	46,629,232	42,929,077	-	-
	<u>538,854,127</u>	<u>522,370,120</u>	<u>221,646,154</u>	<u>206,825,191</u>



الشركة القابضة - تطوير العقارات في الكويت
AL SALMA GROUP FOR ENTERPRISE DEVELOPMENT CO.K.S.C.C



سيمفوني للشقق المفروشة
SYMPHONY FURNISHED APARTMENTS

قاعة بوليفارد
Boulevard Ballroom



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الشركة التجارية للمنتجعات والتطوير العقاري ذ.م.م.
The Commercial Resorts Real Estate Development Co. W.L.L.



إشراق أمل
SHINING HOPE



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