



www.altijaria.com





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 Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister of the State of Kuwait

Contents

Chairman's Speech	06
Board of Directors	08
Executive Management	10
The Regulatory Bodies regulating the business of the company (State of Kuwait)	12
Members of the Fatwa and Shari'a Supervisory Board	13
Report of the Shari'a Supervisory Board for 2018	14
Methodology of the company	16
Governance Report for 2018	18
Formation of committees of the Board of Directors	40
Financial indicators	52
Social Responsibility	54
Property Management Services Unit (EDARA)	58
Achievements and projects of the company	60
Real Estate Investment of the Company (geographically)	62
Subsidiaries and Associates	64
• The Commercial Real Estate Development Company -Bahrain	66
• Al Salmiya Group for Enterprises Development - Boulevard	68
Independent Auditor's Report	71
Consolidated Financial Statements	75
The business principles of 5T's trade team	

Chairman's Statement



Dear / Shareholders,

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

On behalf of my colleagues and members of the Board of Directors, I am pleased and honored to welcome you to the Annual General Assembly, and I begin our meeting by thanking Allah Almighty for appropriateness and success, and thanks to our valued shareholders for the continuous support and confidence which represents the greatest incentive to exert maximum effort to achieve the company's objectives.

Today, I, and the Members of the Board of Directors, are pleased to present to you the Annual Report of the Company for the Consolidated Financial Statements for the year ended 31 December 2018, which contain a clear image of the results of works, performance of the company and its financial position, the most important achievements and efforts to develop performance and achieve the desired objectives to ensure the interests of shareholders.

Dear Shareholders,

Based on our full awareness of the responsibility entrusted to us and the importance of preserving and investing in the rights of shareholders to achieve rewarding returns and to continue in steady steps and create balance and work on development to achieve the goals and aspirations according to your expectations, the Company continued its approach and stable performance, and continued to implement strategies and achieve goals and aspirations thanks to Allah and thanks to continuous hard working, planning, preparation, study and follow-up. As a result, the company has achieved a net profit of KD 14,503,751 this year (Fourteen million five hundred and three thousand seven hundred and fifty-one Kuwaiti dinars).

Return on equity reached 4.94%, consolidated profit return to total assets was 3%, while return on paid-up share capital reached 8.1%.

Thanks be to Allah alone, the company has maintained its reputation and prestige, backed by its financial position, with the increase and improvement in operating revenues supported by higher occupancy levels. The Company also continues to achieve operational excellence and to implement effective changes to reduce overall costs for all units of the Company's management. The financial results also resulted in an increase in operating margins during the year as operating profit increased by 5% to reach 21.3 million Kuwaiti dinars compared to 2017, which amounted to 20.3 million Kuwaiti dinars.

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 (treasury shares) at 2% of the share capital. 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,

Our mission is to ensure the company's sustainability and leadership in the real estate industry in line with a low risk strategy which ensure alignment between the cost and the added value and to achieve revenue and cash flows to meet the company's obligations and shareholders' aspirations and translate them into annual workable plans and follow-up to accomplish tasks in accordance with plans, powers and responsibilities. In addition to being a conservative policy aimed at transparency in the disclosure of shareholders' rights and showing the true value of the company's assets.

Also, through the constant pursuit of investment opportunities promising to increase the profits of the company and maximize shareholder rights, and strive to expand the provision of property management services to meet the growing needs of the real estate management sector, as the Company is currently working on the completion of the Symphony Tower Project - Kingdom of Bahrain, one of the most prominent real estate projects in the Kingdom, which is expected to be completed in full by the end of 2019 and the marketing of the project and the sale of a number of units began in 2018.

Dear Shareholders,

In conclusion, I would like to thank you very much for the trust you have placed in us and to renew our commitment to exert maximum efforts and possible energies to ensure the continuation of success, and we invite you to advise us with your opinions as usual in order to combine them with our efforts and our continuous pursuit of the desired goals. As always, our shareholders, the policy of the open door to manage the company and its sponsors is one of our most important practical slogans, accompanied by transparency in providing information.

I am pleased to extend my sincere thanks to all the members of the Board of Directors, the Executive Management and all the employees of the Company for their performance and efforts to achieve the best results for the company, and we ask Allah Almighty to help us to achieve more progress, performance and desired goals, and we ask Allah to protect Kuwait and its people from all evils under the leadership of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and his Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and the Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, may Allah bless and protect them all.

Abdulfatah M.R. Marafie
Chairman

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
Chief Executive Officer of Technical Affairs Group



Mr. Talal J. Al Bahar
Board Member

Executive Management

Mr. Saleh Ahmad Al-Aryan
C.E.O Admin & Legal Affairs Group

Eng. Abdulmutaleb A.M. Marafie
C.E.O Technical Affairs Group

Mr. Samir Patel
C.E.O Property Group

Mrs. Eman Amin Muqadem
Chairman's office Dept. Manager

Eng. Yousef Ghazi Abdullah Al Saqabi
Business Development Dept. Manager

Mr. Mansour Mohsen Kamal
Internal Audit Dept. Manager

Mr. Ramchander Sundaram
Strategic Planning & Investment Dept. Manager

Mr. Ahmed Esmaeil A. Elkalshy
HR & Admin Affairs Dept. Manager

Mr. Counselor/ Essam Refaat
Legal Affairs Dept. Manager

Mr. Fuad Hassan Darwish Zaarour
Accounting Dept. Manager

Mr. Tamer Said Mansour
Finance Dept. Manager

Mr. Nisanth Kondiara Chandran
Facilities Management Dept. Manager

Mr. Emad Al Haniny
IT Manager

Eng. Fatemah Amin Abulqasem Marafie
Projects & Projects control Dept. Deputy Manager

Mrs. Eva Saaed Sabri Awwad
Property Management Dept. Deputy Manager

The Company's Business Regulators (Kuwait)

Ministry of Commerce and Industry
Capital Markets Authority

Members of the Fatwa and Shari'a Supervisory Board



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

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

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

Report of the Shari'a Supervisory Board for 2018



*Dar Al-Reqabah
for Islamic Consultations*

In the name of Allah the Merciful

During the period from 01/01/2018 to 31/12/2018

Praise be to Allah, prayer and peace be upon the Messenger of Allah, his Family and Companions

Dear: M/s Shareholders of the Commercial Real Estate Company,,,

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

In accordance with the contract signed with Dar Al-Reqabah for Shariah Consultancy, we audited the contracts and transactions carried out by the Company during the fiscal year ended in 31/12/2018, in order to give opinion on the extent of the company's commitment to the provisions of Islamic Sharia, as shown in opinions, guidelines and Sharia orders that we have issued.

The responsibility of executing contracts and transactions in accordance with the provisions of the Islamic Shari'ah is the responsibility of the company's management, while our responsibility is limited to give an independent opinion on the extent of the company's commitment to it based on our auditing.

We carried out our auditing, which required us to plan and carry out the auditing procedures and obtain all information, explanations and decisions that we deem necessary to provide us with sufficient evidence to give reasonable assurance that the company is committed to the provisions of Islamic Shari'ah as we have already made this clear.

Our audit is based on the examination of samples of each type of contracts and transactions executed during the period, and we believe that the audit we conducted provides a proper basis to give our opinion.

Based on the above mentioned, we state the following:

- During the specific financial year, the Company is committed to fulfilling its obligations towards the execution of contracts and transactions in accordance of the provisions of Islamic Shari'ah, as shown in opinions, guidelines and Sharia orders that we approved.
- The responsibility to pay Zakat falls on the shareholders.

Prayer and Peace be upon the Messenger of Allah, his Family and Companions.

دار الرقابية
للاستشارات الشرعية
ص.ب. : 4125 الصفاة
الرمز 113042 الكويت
هاتف : 22461141
فاكس : 22461142

D.R.I.C
P.O.Box 4125 Safat
Code No. 113042 Kuwait
Tel.: 22461141
Fax: 22461142

أ. د. سيد محمد الطيباني
رئيس الهيئة الشرعية

أ. د. بدر عبد الرزاق الماص
عضوا

الشيخ يوسف محمود علي
عضوا

reqabah@gmail.com
www.dar-areqaba.com

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.

Governance Report 2018

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 2018, 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.

Business Summary for 2018

Classification	Item	Related Stakeholders
Commitment	Updating and approving the strategic plan for the sectoral and geographical distribution of the company's investments.	Shareholders - Stakeholders
Commitment	Commitment to implement and apply governance systems and standards in full.	Shareholders – Stakeholders - Regulatory Bodies
Social Responsibility	Implementation of the Social Responsibility Plan during the year 2018 according to the report.	Kuwaiti Society - Shareholders - Stakeholders
Censorship	Updating and approving internal audit management manuals, policies and procedures, project management, project control, property management, marketing and leasing management.	Shareholders – Employees - Stakeholders
Censorship	Risk management and internal audit plans are implemented and put into practice.	Shareholders – Stakeholders - Regulatory Bodies
Censorship	Review the internal audit observations and make the necessary corrections.	Shareholders – Stakeholders - Regulatory Bodies
Censorship	Review risk reports and take risk reduction actions.	Shareholders – Stakeholders - Regulatory Bodies
Regulatory	Update and modify the company's organizational structure	Shareholders – Stakeholders - Employees
Regulatory	<ul style="list-style-type: none"> - Developing the management of the Chairman office. - Developing a business development department. - Developing a Department of Document Management Systems and Archives. - Integration of the administrative and human resources departments. 	Shareholders – Stakeholders - Employees

Kuwait on 5/3/2019

Declaration and Undertaking (Accuracy and the Integrity of the Financial Statements)

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 2018 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	



Formation of the Board of Directors of Commercial Real Estate Company (KPSC)

S. N	Name	Position	Membership	Academic Qualification	Date of election / Appointment of the Secretary
1	Mr. Abdulfatah M.R. Marafie	Chairman	Non-Executive	Bachelor of Commerce	April 9th, 2018
2	Mr. Eng. Adwan Mohammed Al-Adwani	Vice Chairman	Non-Executive	Bachelor of Arts	April 9th, 2018
3	Mr. Ibrahim Mohammed Al-Ghanim	Board of Directors	Non-Executive	Bachelor of Science in Marine Engineering	April 9th, 2018
4	Mr. Hussein Abdullah Jowhar	Board of Directors	Non-Executive	Master of Business Administration	April 9th, 2018
5	Mr. Abdulaziz Mubarak Al-Hasawi	Board of Directors	Independent	Bachelor of Business Administration	April 9th, 2018
6	Mr. Faisal Ibrahim Al-Musallam	Board of Directors	Independent	Bachelor of Accounting	April 9th, 2018
7	Mr. Eng. Abdulmuttalib A.M. Marafie	Board of Directors	Executive	Bachelor of Engineering	April 9th, 2018
8	Mr. Talal Jassim Al-Bahar	Board of Directors	Non-Executive	Bachelor of Business Administration	April 9th, 2018
9	Mrs. Eman Amin Muqadem	Secretary	Secretary	Bachelor of Business Administration	April 9th, 2018

The Meetings of the Board of Directors during 2018

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.

		Meetings Attendance Schedule					
		2018-1 March 6th	2018-2 April 9th	2018-3 May 14th	2018-4 July 31st	2018-5 Nov. 13th	2018-6 Dec. 16th
Mr. Abdulfatah M.R. Marafie	Chairman	✓	✓	✓	✓	✓	✓
Mr. Eng. Adwan Mohammed Al-Adwani	Vice Chairman	✓	✓	✓	✓	✓	✓
Mr. Ibrahim Mohammed Al-Ghanim	Non-Executive Member	✓	✓	✓	✓	✓	✓
Mr. Hussein Abdullah Jowhar	Member	✓	✓	✓	✓	✓	✓
Mr. Abdulaziz Mubarak Al-Hasawi	Independent Member	✓	-	-	✓	-	✓
Mr. Faisal Ibrahim Al-Musallam	Independent Member	✓	✓	-	✓	✓	-
Eng. Abdulmuttalib A.M. Marafie	Executive Member	✓			✓	✓	
Mr. Talal Jassim Al-Bahar	Non-Executive Member	✓	✓	✓	✓	✓	✓
Mrs. Eman Amin Muqadem	Secretary	✓	✓	✓	✓	✓	✓

Board of Directors Responsibilities

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 policies and procedures.

6 - Disclosing and announcing periodically the progress of the company's activity and all the developments affecting its business.

7 - Establishing effective channels of communication that will allow the shareholders of the Company to have constant and periodic access to the various aspects of their activities and the significant developments.

8 - 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.

9 - 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 and their main members.

10 - 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.

11 - 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.

12 - 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.

13 - 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.

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

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

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

17 - 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.

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.
- Asset allocation strategy.
- Plan of career progression.
- Governance Guide.
- Annual report for the previous years.
- 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.

Summary of how to register, coordinate and save minutes of meetings of the Board of Directors

The Board of Directors is committed to discussing any issues that are included on the agenda of meetings in a very transparent manner, and the members shall be provided with information that allows making decisions. The decisions taken and all facts, including reservations (if any), shall be recorded in the minutes of the meeting. The minutes of the meeting shall include the following:

- 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.
- 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.
- 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.
- Recording the proceedings of the meetings in accordance with the agenda items and any other work, resolutions, recommendations and observations taken.
- 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.

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, whether at the level of executive management, committees or board of directors, including many types of weekly, monthly and quarterly reports as well as reports of immediate nature, which are related to information of an urgent nature and 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.

Summary of how the performance of the Board of Directors as a whole and the performance of each member of the Board of Directors and Executive Management are assessed

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.

Summary of 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.

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.

Principles and Standards

- 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.
- 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.
- 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.
- 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.
- 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.
- Equality among employees is inevitable
- 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:-

- 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 and bear responsibility about its responsibility.

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 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.

Summary about 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.

Summary about the Investors' Affairs Department:

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.

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:

- Audit and Risk Committee.
- Risk, Compliance, and Control Unit
- Internal Audit Department.
- Sharia Supervisory Board.
- External auditor.

The board of directors shall periodically make sure of the neutrality and the efficiency of the controlling departments and the independency that allows it to execute its works accurately and efficiently and provide the required human cadres to implement the works which is distinguished with experience and efficiency. In case of having any comments or observations by any committee or the controlling department in the company, the board of directors shall take the correct procedures immediately.

The internal auditing department:

In the field of internal auditing department, Al Tijaria depends on an independent department established for the purpose of internal auditing. The board of directors shall verify that the internal auditing and controlling is a permanent operation that covers all the activities and business of the company without exception to any department of the company. The department or the management shall make periodical and regular reports about the results of the auditing and verify that the operations and criteria of the internal controlling have been formulated by the department and that they are implemented as they should be. The auditing and risks committee shall review the results of the internal auditing report and make sure that the required correct procedures have been taken regarding the observations stated in this report.

Summary about 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 and encourage the shareholders to participate and vote in the meetings of the company's assembly. 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.

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.

Current Positions of Board of Directors Members

Abdulfatah M.R. Marafie - Chairman

1. Chairman and CEO of Al Mutajara Real Estate Company - Kuwait
2. Chairman of Commercial Real Estate Development Company - Kingdom of Bahrain
3. Chairman and General Manager of Mozon Investment Holding Company - Kingdom of Morocco
4. Chairman of Venture Capital Bank - Kingdom of Bahrain
5. Chairman - TOPSU TARIM HAYVANCILIK GIDA SANAYİ VE TİCARET ANONİM ŞİRKETİ- Republic of Turkey
6. Member of the Board of Directors of Amar Financing and Leasing Company - Kuwait
7. Member of the Board of Directors of Bayan Real Estate Company - Kingdom of Saudi Arabia
8. Member of the Board of Directors of Joconor Company for Food Import, Export and Production - Republic of Turkey
9. Member of the Board of Directors of Hajar Tower Real Estate Company - Kuwait
10. Member of the board of directors of Jahra Tourism Company - State of Kuwait
11. Member of the board of directors of Salmiya Group Company for Enterprises Development - Kuwait

Adwan Mohammad Al Adwani – Vice Chairman

1. Chairman of Salmiya Group Company for Enterprises Development - Kuwait
2. Chairman of Kuwait Resorts Company - Kuwait
3. Vice Chairman of Commercial Real Estate Development Company - Kingdom of Bahrain
4. Vice Chairman of Bayan Real Estate Company - Kingdom of Saudi Arabia
5. Member of the Board of Directors of Mozon Investment Holding Company - Kingdom of Morocco
6. Member of the Board of Directors of Venture Capital Bank - Kingdom of Bahrain
7. Member of the Board of Directors of Vacation Club Venture BV - Dubai / United Arab Emirates
8. Board Member - TOPSU TARIM HAYVANCILIK GIDA SANAYİ VE TİCARET ANONİM ŞİRKETİ - Republic of Turkey

Ebrahim Mohammed Al Ghanim - Member of the Board of Directors

- 1- Chairman of Ain Athari Park Development Company - Kingdom of Bahrain
- 2 - Chairman of The Commercial Resorts Real Estate Development Company
3. Vice Chairman and Chief Executive Officer of Kuwait Resorts Company - Kuwait
4. Vice Chairman of Salmiya Group Company for Enterprises Development - Kuwait
5. Vice Chairman of Hajar Tower Real Estate Company - Kuwait
6. Vice Chairman of Jahra Tourism Company - Kuwait
7. Member of the Board of Directors of Kuwait Commercial Markets Complex Company - Kuwait
8. Member of the Board of Directors of Afkar Holding Company - Kuwait
9. Member of the Board of Directors - United Company for Entertainment and Tourism
10. Member of the Board of Directors of Lima Sorel Marine Company - Kingdom of Bahrain
11. Member of the Board of Directors of Commercial Real Estate Development Company - Kingdom of Bahrain
12. Member of the Board of Directors of Vacation Club Venture BV - Dubai / United Arab Emirates

Hussain Abdullah Jowhar – Member of the Board of Directors

1. Chairman of Kuwait Commercial Markets Complexes Company - Kuwait
2. Chairman of Kuwait Slaughterhouse Company - Kuwait
3. Chairman of the Board of Directors of Egypt's Pearl Investment Company - Egypt
- 4 - Chairman of the Board of Directors of Glass Pearl Company - Egypt
5. Vice Chairman of Pearl Investment Company - Egypt
6. Vice Chairman of Pearl Glass Manufacturing Company - Egypt
7. Vice Chairman of the United Company for Entertainment and Tourism - Kuwait
8. Vice Chairman of the Board of Directors of the International Company for Entertainment Services - Kuwait
9. Vice Chairman of Afkar Holding Company - Kuwait
10. Member of the Board of Directors of Al-Dhiyafa National Real Estate Company - Kuwait
11. Member of the Board - Light Food Company - Kuwait
12. Member of the Board of Directors of Al-Alfin Printing, Publishing and Distribution Company - Kuwait
13. Member of the Board of Directors of Al-Daou for Environmental Projects - State of Kuwait
14. Member of the Board of Directors of Vision Investment Company - Sultanate of Oman
15. Member of the Board of directors of Majan Construction Company - Sultanate of Oman

Abdulaziz Mubarak Al Hasawi- Member of the Board of Directors

1. Chairman of Al-Mubarakiyah Hotel - Kingdom of Saudi Arabia
2. Chairman of Ecosseas Marine Contracting Company - Kuwait and United Arab Emirates
3. Chairman of Multi Works General Trading and Contracting Company - Kuwait and United Arab Emirates
4. Vice Chairman of the Board of Directors of Kuwaiti- Lebanese Real Estate Company - Republic of Lebanon
5. General Founder and Member of the Board of Directors of Arab Capital Holding Company - Kuwait
6. Member of the Board of Directors of Bank of Sharjah - United Arab Emirates
7. Managing Partner of the House of Messila Company - London / United Kingdom

Faisal Abdul-Aziz Al Musallam – Member of the Board of Directors

1. General Manager of Direct Investments- the general Institution for Social Insurance – Kuwait

Abdulmuttalib A.M. Marafie – Member of the Board of Directors

1. Chairman of Commercial Markets Complexes Company - Hashemite Kingdom of Jordan
2. Vice Chairman of the Board of Directors of Kuwait Commercial Markets Complexes Company - Kuwait
3. Member of the Board of Directors of Salmiya Group company for Enterprises Development - Kuwait
4. Member of the Board of Directors of the First Holding Company - Kuwait
5. Member of the Board of Directors of Al-Zad Trading Group - Kuwait
6. Advisor to the Board of Directors and Secretary of the First Hotels Company - Kuwait

Talal Jassem Al Bahar – Member of the Board of Directors

1. Chairman of AVA Hotels & Resorts - Kuwait
2. Chairman of the United Investment Company - Portugal
- 3 - Member of the Board of Directors of the Kingdom Company - Beirut - Republic of Lebanon

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 and 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.

The Auditing and Risks Committee

Tasks and responsibilities:-

- 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- Reviewing the adequacy and effectiveness of the Company's internal controlling laws, including relevant strategies, policies and procedures relating to good practices in order to manage and control the various risks and to verify the implementation of those policies and strategies.
- 9- Following-up the implementation of the agreed correction procedures in accordance with a specific timetable.
- 10- Reviewing the reports of the regulatory bodies and ensuring that the necessary procedures have been taken.
- 11- Reviewing the reports of the Shari'a supervising authority before submitting them to the board of directors for approval.
- 12- Reviewing and approving principally the policy and procedures manuals for the internal audit department.
- 13- Ensuring that the Company complies with the relevant laws and instructions.
- 14- Recommending the appointment, transfer, removal, performance evaluation and performance of the internal audit manager.
- 15- Making recommendation to the board of directors to appoint, reappoint or change external auditors and determine their fees.
- 16- Reviewing transactions and dealings with the related parties and making appropriate recommendations thereon to the board of directors.
- 17- 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.
- 18- Preparing and reviewing risk management strategies and policies before they are approved by the board of directors, and ensuring their suitability with the amount of the company activities.
- 19- Reviewing the adequacy and effectiveness of the company's internal controlling laws, including related strategies, policies and procedures and good practices in order to manage and control the various risks and to verify the implementation of those policies and strategies.
- 20- 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.

- 21- Assisting the board in identifying and evaluating the acceptable level of risk at the company and evaluating the laws and mechanisms for identifying, measuring and monitoring types of different risks that the company may face.
- 22- 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.
- 23- Reviewing the audit committee's observations and risks that may affect the company's risk management.
- 24- Reviewing and approving principally the risk management policies and procedures.
- 25- Any other responsibilities assigned to the committee by the board of directors in accordance with the approved laws of powers.

The objective	The meetings		
	The meeting date	The meeting number	Number of attendees
The risks and auditing committee aims at helping the board of directors to implement the responsibilities of verifying the extent of adherence to the standards of auditing and active application of the different company's policies, identify the weaknesses and work on taking the correct measurements regarding it as well as managing the risks which the company faces and putting the required criteria to limit them and identifying the risks trend within the company and the accepted rate against the expected profits and making recommendation thereon to the board of directors.	4th march 2018	(1/2018)	3
	13th May 2018	(2/2018)	2
	30th June 2018	(3/2018)	3
	11th November 2018	(4/2018)	3
	16th December 2018	(5/2018)	2

Formation		Date	Period
Ibrahim Mohamed Alghanim - Chairman Adwan Mohamed Al Adwani - Vice Faisal Ibrahim Al Muslim - Member	Mansour Mohsen Kamal - Rapporteur Rowan Jalal Sabah - Secretary	9th April 2018	Duration of the board's work

Governance Committee

Tasks and responsibilities:

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. Forming subcommittees and teamwork under a decision from the Chairman of the Committee solely or from the members of the committee to meet the specified tasks that provide support and assistance for the optimal application of the principles and frameworks of governance and raising awareness among the company's employees of the importance and objectives and requirements of governance.
5. Presenting the reports and recommendations about the results of the application of governance and compliance with applicable laws and regulations.
6. Presenting reports and recommendations about any violations, irregularities or observations in compliance with applicable regulations and laws within the framework of governance and proposed solutions.
7. Supervising the preparation of the annual social responsibility plan and submitting it to the board of directors for final approval.
8. Supervising the implementation of the social responsibility plan.
9. Supervising the preparation of the annual social responsibility report and approving it for submission to the board of directors for final approval.
10. Coordinating with adherence and risk management to ensure the extent of adhering and complying with the company governance manual.
11. Making report to show the extent to which the associates are committed to applying the principles of governance.
12. Supervising and ensuring the application of the principles of governance in subsidiaries and making reports thereon.
13. Informing the board of directors with the latest developments, decisions and laws issued by the various regulatory bodies.
14. Reviewing compliance reports annually to ensure that the company is fully committed to applying the principles of governance and any observations about it.
15. Reviewing the report of cases brought from and against the company and verifying the reasons and the current situation and making recommendations thereon.
16. Making an annual review of the committee law, proposing changes and submitting recommendations to the board of Directors.
17. Carrying out any other responsibilities assigned to the committee by the board of directors in accordance with the approved law of powers.

The objective	The meetings		
	The meeting date	The meeting number	Number of attendees
The governance committee aims at verifying the preparation and following up and monitoring the application of governance principles and adhering to the instructions, laws and regulations issued by different regulatory authority in this regard and the extent of the appropriateness of the policies, regulations and procedures applied in the company for these instruction and take all the corrective and protective steps if need be in a way that achieves balance and suitability among the powers which the company management has and protect the rights of the shareholders and stakeholders for the benefit of the company.	4th march 2018	(1/2018)	3
	11th November 2018	(2/2018)	3

Formation		Date	Period
Abdulfatah M.R. Marafie - Chairman Hussien Abdullah Jowhar - Vice Faisal Ibrahim Al Musallam - Member	Dalia Atta al Mahalawy - Rapporteur	9th April 2018	Duration of the board's work

Rewards and Nomination committee

Tasks and responsibilities

1. Making clear policies about compensation and risk insurance related to the professional liability of board members and identify the policies and criteria relating to the performance measurements and its application.
2. Preparing and developing the policy of the board of directors' allocations and rewards in accordance with the applicable laws and submitting recommendations to the board of directors with the suggested rewards under the agreement of the normal general assembly.
3. Preparing and developing the policy of allocations and rewards for members of the board committees.
4. Identifying the different sections of rewards that will be granted to the employees such as the fixed reward section, the reward section relating to performance, the reward section in the form of shares and the end of service reward section.
5. Supervising the preparation of policies concerning the rewards, promotion, bonus, advantages, allowances and salaries of the executive management and the employees.
6. 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.
7. Preparing a detailed annual report about all the granted rewards for the members of the board of directors and the executive department provided that this report shall be presented to the general assembly for approval.
8. Initial approval of the annual workers plan according to the needs of the company and the recommendations of the executive department in order to be presented for the board of directors for final approval.
9. The initial approval of the rotating and replacement plan of the executive positions in order to present it to the board of directors for final approval.
10. Developing a functional description for the executive, non-executive members of the board of directors and independent members.
11. Suggesting an election or reelection of the independent members by the general assembly and make sure of the existence of the independency capacity from the independent member of the board of directors.
12. Providing recommendations to the board of directors to appoint individuals of the executive department and the leading vacant positions in accordance with the approved policies and standards and in a way that does not contradict the instructions and the organizing laws.
13. Making sure of nominating the most efficient, experienced, capable and skilled individual to practice the assigned work tasks to the vacant position according to the standards.
14. Supervising the preparation and identification of the company's needs for the competencies at the level of executive management and the bases of their selection and employment and terms of contract with company's officials directly before the executive chairmen and the medications made on the employment contracts, their renewal or the end of services and employees resignation.
15. Supervising the preparation of the training plan for all the company's employees and controlling its application.
16. Approving the job degrees and salaries structure of the company.
17. Performing other responsibilities assigned to the committee by the board of directors in accordance with the approved powers system.

Objective	Meetings		
	Meeting date	Meeting number	Attendees number
The rewards and nomination committee aims at assisting the board of directors to perform its supervisory tasks and duties in order to guarantee election of the required competencies for the board of directors membership and the administrative and executive positions in the company and make sure that they are achieved according to the institutional framework distinguished with competency and complete transparency and works basically for the interest of the company and therefore achieves the objective of the shareholders. This is in addition to the supervising tasks to guarantee the security and the validity of calculating the rewards and the allocations followed by the company relating to the members of the board of directors and the executive management and verify that they are fair and contributing basically to the professionally competent human cadres and the high technical abilities in addition to stabilizing the belonging principle to the company.	6th march 2018	(1/2018)	4
	11th November 2018	(2/2018)	3
Formation			
Adwan Mohamed Al Adwani - Chairman Hussien Abdullah Jowhar - Vice Abdulaziz Mubarak Al Hasawi - Independent Member Talal Jassim Al Bahar - Member	Ahmed Esmaeil Elkalshy - Rapporteur Fayrouz M. Shaheen - Secretary		

Executive Management

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 Department:

- Making recommendations regarding the followed strategy with the purpose of improving and developing through well studied plans.
- Implementing the company's strategic plans and all that is relating to them including internal policies and regulations and ensure their adequacy and effectiveness.
- 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.
- Providing timely and accurate information and reports to the board of directors.
- Providing periodic financial and operational reports on the performance of departments regarding the progress of the company's activity in the light of the plans and strategic objectives provided that they shall be presented to the board of directors.
- 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.
- Submitting the proposals and reports about the powers and authorities granted to the executive department.
- Following up the implementation of the powers and responsibilities granted in accordance with the approved terms of reference.
- Developing, modifying and updating policies and procedures, discussing and approving them in order to ensure the best application.
- Implementing the internal control and risk management systems and ensuring adequacy and effectiveness of such systems, and ensuring adherence to risk trend approved by the board of directors.
- Managing all activities and human and financial resources effectively in order to maximize profits reduce expenses and achieves strategic goals of the company.
- Effective participation in building and developing a culture of ethical values in the company
- 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.

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:-

- 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.
- The reward payment is identified and approved by the company's board of directors based on the recommendations of the rewards committee.
- 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.
- The annual reward suggestion is prepared by the human resources department based on the specific allotments and assessment of company employees.
- The reward proposal shall be studied by rewards and nominations committee.
- 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)
- 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.
- The date of paying the reward shall be determined in case it is approved on the date specified by the senior management.
- 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.

The rewards, benefits and advantages granted to the members of the board of directors and the executive management of 2018	Payments (thousand Kuwait dinars)
The fixed rewards (including the wages and the basic salary)	495.8
Variable rewards	290
Indemnity	49.5
Members of the board of directors	Payments (thousand Kuwait dinars)
Rewards of the board of directors members (payments, benefits, advantages) including allowance of attending the committee	108
The company did not register an violations of the approved policy in granting the rewards and benefit	-

Risks Management

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	
Risks strategy	<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>

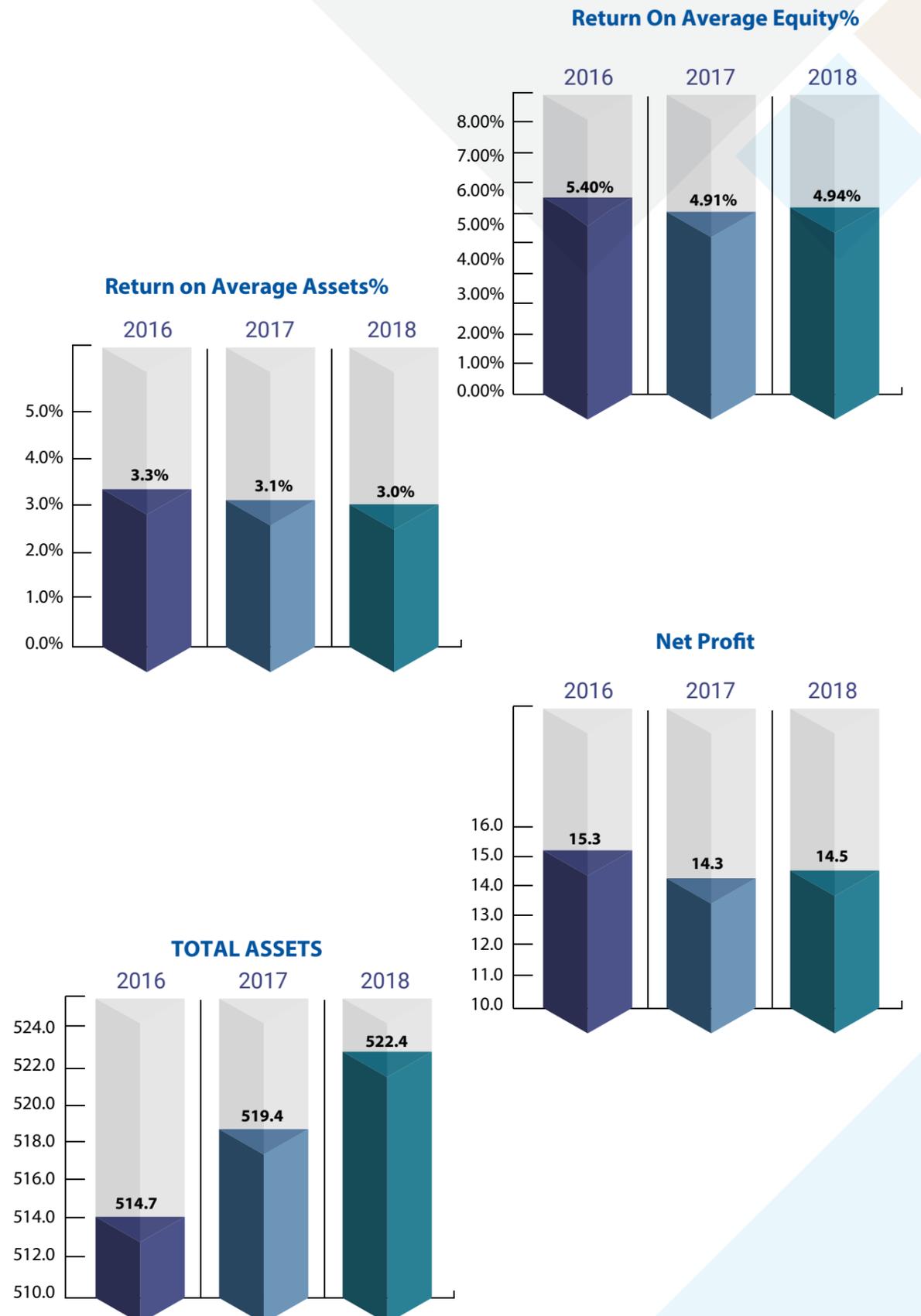
<p>Operational risks</p>	<p>This type of risk focuses on all types of operational risks, including inadequate internal control systems, technological risks, inefficiencies and / or effectiveness of processes and procedures in accomplishing the overall objectives of the company, contributing to human 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 high risk 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 efficiency of the operation.</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>

<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>

Financial Indicators

Financial Indicators			
Million Kuwaiti dinars except the percent	2018	2017	2016
Capital Structure	178.7	178.7	178.7
Total Assets	522.4	519.4	514.7
Shareholders' Equity	293.5	290.3	284.7
Investment Properties	370.4	367.5	367.5
Net Profit	14.5	14.3	15.3
Returns on Average Assets	3.0%	3.1%	3.3%
Return On The Average of The Shareholders' Rights	4.94%	4.91%	5.4%
Returns on Capital	8.10%	7.98%	8.55%
EPS	8.25	8.09	8.67

Financial Indicators



Social Responsibility

Summary of the 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" and "Rafad" campaign that distributes meals to the needy.

Social Responsibility Initiatives

Shining Hope 6 celebrates the special needs at Symphony Style Mall

Kuwait, 27th of March 2018: The Commercial Real Estate company held its annual "Shining Hope" festival for the sixth consecutive time for the special needs under the slogan "together we build hope... share their joy with us".

This event came together with a remarkable partnership between private and public schools and concerned associations and took place in Symphony Style Mall under the sponsorship of her excellency Sheikha Sheikha Al Sabah - the honoree president of the Kuwaiti sports Club for the special needs and Mr. Abulfatah Marafie - Chairman.

"Shining Hope" was held at the same time of Mother's day and Family Day to help appreciate mothers and their vital role in the society.



Symphony Style Mall and Al Tijaria Tower celebrate Gergain with the children of Kuwait

As part of The Commercial Real Estate Company goals to preserve the traditional Kuwait heritage and its part of corporate social responsibility, a special Gergain celebration took place at Symphony Style Mall and Al Tijaria tower on June 3rd 2018.

In this occasion, The Commercial Real Estate Company invited the orphans to participate in such joyful event. A special show by Sheyab took place in which they sang all the traditional Gergain songs with all the kids present.



"Take a time out of your busy life, to save a life" blood donation campaign

The Commercial Real Estate Company held its annual Blood Donation Campaigns.

Under the name "Take Time Out of your Busy Life to Save a Life" was successfully held in both Symphony style mall on June 29th and in Al Tijaria Tower on 15 of August with the participation of a huge number of the company's employees in addition to tenants, employees, and visitors. Their donations contributed to effectively fulfil the needs and requirements of the Central Blood Bank.



"Plant a Tree in my country 2" initiative

The Commercial Real Estate Company organized 'Plant A Tree in my Country' initiative for the second consecutive year on September 15th.

The objective of this initiative was creating awareness of the importance of agriculture and planting seedlings in Boulevard and across Kuwait to achieve a greener future.



Breast Cancer Awareness Event

Based on its corporate social responsibility role, Al Salmiya Group for Enterprises Development Company held a special event in October - breast cancer awareness month. All women were given the opportunity to share their hopes and prayers to women with breast cancer and hang it on the lake fence in which the fence turned pink in few hours.

Also, pink flowers were distributed to all women visiting Boulevard mall, Symphony Style Mall, and Al Tijaria Tower to remind them of the importance of early check up for breast cancer.



"RAFAD" weekly initiative

The Commercial Real Estate Company prides itself on 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.



Al Tijaria Real Estate company visits special

the Commercial Real Estate Company organized special visits to NBK children hospital, Al Razi hospital, and Ibn Sina hospital. The main purpose these visits was to spread a positive atmosphere for the children's admitted in the hospital and to bring joy to them.

These visits came on 3 consecutive months starting from October 2018 and includes various entertainment and educational activities that bring joy and hope to the kids.



Property Management Services Unit (EDARA)



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 properties received by "Edara" within its activities to manage the other's properties "Cube Mall and Boulevard".



Achievements and Projects of the Company

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.



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 45 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".



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 6 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.



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. The restaurants are characterized with external seating areas that can be integrated with the internal areas. 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.



Dine Zone Project

"Dine Zone Restaurants" is one of the most recent projects for Al Tijaria commercial Real Estate Company. 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 90% of it has been leased to local and global restaurants.



The "Dine Zone Restaurants" project is a distinguished concept of restaurants and cafes with two floors and external seating area for every villa. Some of the restaurants are expected to operate in the 1st quarter of 2019.

Dome

Dome complex falls on the coastal stripe of Abu Halifa and consists of a ground floor and basement. It is distributed on 9,800 square meters. Al Tijaria company seeks to rearrange "Dome" as one of the pioneering entertainment centers in the south of Kuwait. Therefore, Al Tijaria Real Estate Company made a strategic cooperation with "Future Kid" company in order to inaugurate the greatest family entertainment center in the area. It is expected to be open in the third quarter of 2019.



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 Afkar Holding Company Al Jahraa Touristic Company Gulf Opportunities Company
Saudi Arabia	Hajar Tower Real Estate Company 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

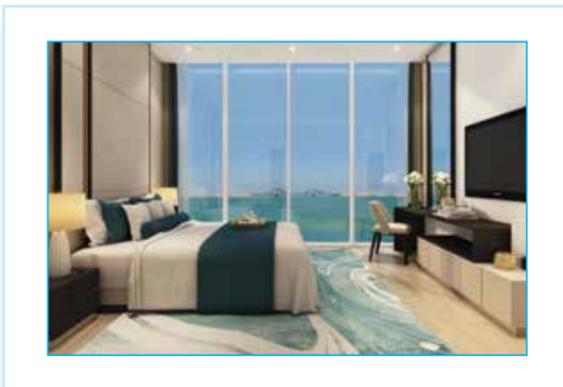
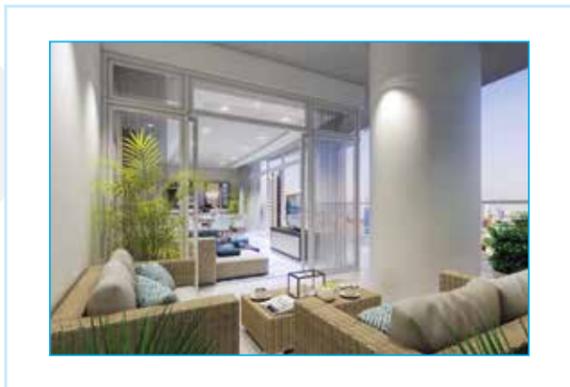


Achievement of 100% of the external structure building stage in Symphony Tower – Bahrain Kingdom

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. All the apartments which range among studio, one room, two rooms and three rooms with a panoramic charming scope of view that overlooks the seas and was designed to give the feeling of happiness. Symphony tower obtained the prize of the best housing design tower in the Arab and African property prizes festival for 2017 for its unique and excellent design.

The clients have four main options to select. The options include a studio with area from 39 to 48 meters. As for the units with one bedroom, the area starts from 70 to 91 meters. The area of the two bedrooms units is between 119 to 153 square meters. As for the three bedrooms units, the area is 199 square meters.

The external structure of the unit has finished in November, 2018. Work is still continuing currently in the internal finishing of the tower that includes the floor, the ceilings, the kitchens and water closets. 95% of the presentation apartments finishing has been achieved as the finishing of the apartment no.1 and the apartment no.3 has been completely finished. It is determined to be furnished in January 2019. The project is expected to be delivered in December 2019.



The Commercial Real Estate
Development Company
A Subsidiary Company

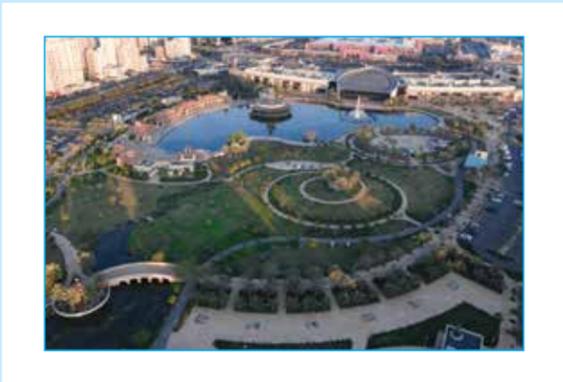
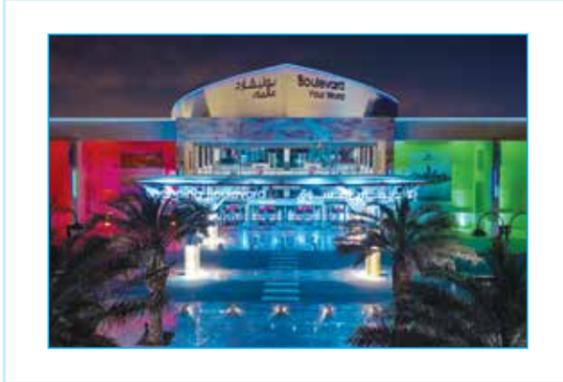


Boulevard

Boulevard is located in the center of Salmiya. It extends on 353 thousand 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, football 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 1,963 cars.

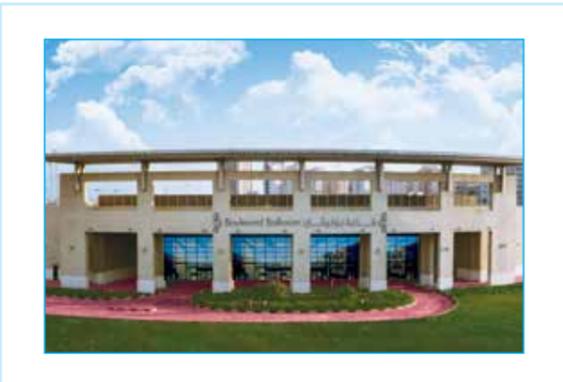


Boulevard Ballroom

Located at the center of Salmiya and in the middle of fascinating green areas, we present you with Boulevard Ballroom with an area of more than 2000 square meters and contains wedding and meetings halls. It is expected to open in the second 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 includes 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.

As for the meeting hall, it is a fully equipped hall suitable for giving training courses, conferences, seminars and more.

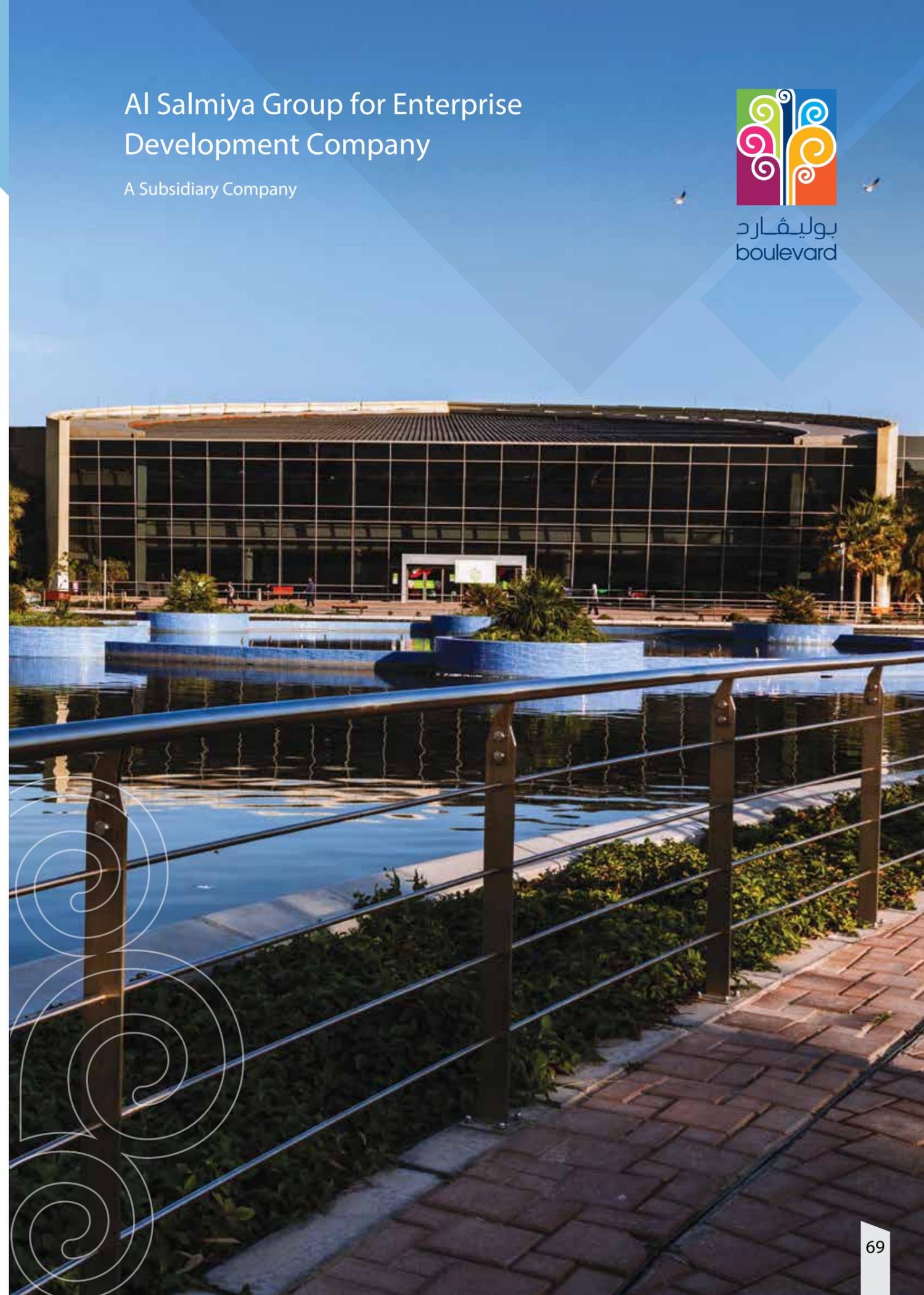


Al Salmiya Group for Enterprise Development Company

A Subsidiary Company



بوليفارد
boulevard





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 2018

Contents	Page
Independent Auditor's Report	71 - 74
Consolidated Statement of Financial Position	75
Consolidated Statement of Income	76
Consolidated Statement of Comprehensive Income	77
Consolidated Statement of Changes in Equity	78
Consolidated Statement of Cash Flows	79
Notes to the Consolidated Financial Statements	80 - 114

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait
Tel : +965 22408844, 22438060
Fax : +965 22408855, 22452080
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COMMERCIAL REAL ESTATE COMPANY K.P.S.C.

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 "Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of 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 2018, 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 the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 of KD 370,400,645 as at 31st December 2018 are commercial and residential properties, carried at fair value as on the reporting date. The disclosures relating to the investment properties are given in notes (2.3.3) and (6).

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material change, warrants specific audit focus in this area. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues for that particular property. Accordingly, audit of fair valuation is considered as a key audit matter.

The valuations are carried out by independent third party valuers appointed by the Group management. The independent valuers are licenced from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at the relevant locations. In determining a property's valuation the valuers take into account property specific current information such as the tenure and tenancy details for each property, prevailing market yields and comparable market transactions.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COMMERCIAL REAL ESTATE COMPANY K.P.S.C. (Continued)

We assessed the competence, capabilities and objectivity of the firms. We also discussed the scope of their work and reviewed the terms of their engagement in order to check that there were no unusual terms or fee arrangements. We tested the data inputs underpinning the investment property valuation for a sample of properties, including rental income, by agreeing them back 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. In doing this we used evidence of comparable market transactions and focused in particular on properties where the growth in capital values was higher or lower than our expectations based on market indices.

Valuation of unquoted investment securities

Unquoted investment securities of KD 54,296,565 as at 31st December 2018 are carried at fair value. These investments primarily comprise of investments in private equities managed by others and real estate funds. These investments are valued using methodologies agreed by management and there are key inputs to the valuation calculations which reflect management's judgement as disclosed in significant accounting policy 2.3.5 and 2.3.6, critical accounting estimates, and notes 8 and 10 to the consolidated financial statements. There is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate assumptions could result in the valuation of unquoted investment securities being materially misstated. Accordingly, audit of fair valuation is considered as a key audit matter.

As part of our audit procedures, we tested the design and implementation of controls around the valuation of unquoted investment securities. In addition we tailored our substantive testing to reflect the different categories of unquoted investment securities held in the portfolio. This testing included reviewing and challenging management's valuations for a sample of unquoted investment securities, focusing on the appropriateness of the valuation methodology and assumptions used within the calculations (e.g. cash flow projections; growth projections; discount rate used).

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 2018 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 International Financial Reporting Standards (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)

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)

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 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al Wazzan & Co.

Kuwait
05 March 2019

Consolidated Statement of Financial Position as at 31 December 2018

	Notes	Kuwaiti Dinars	
		2018	2017
Assets			
Non-current assets			
Property, plant and equipment	5	24,881,238	26,362,918
Investment property	6	370,400,645	367,511,385
Investments in associates	7	47,308,182	45,313,974
Investments available for sale	8	-	26,531,681
Investments at FVOCI	8	34,252,835	-
		<u>476,842,900</u>	<u>465,719,958</u>
Current assets			
Land and properties held for trading	9	13,180,088	13,782,570
Investments at fair value through profit or loss	10	20,750,539	26,653,077
Receivables	11	9,974,210	10,366,328
Cash and cash equivalents	12	1,622,383	2,837,430
		<u>45,527,220</u>	<u>53,639,405</u>
Total assets		<u>522,370,120</u>	<u>519,359,363</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	(3,599,426)	(2,208,386)
Statutory reserve	15	36,941,642	35,418,545
Voluntary reserve	16	27,829,414	27,067,865
Other reserve	17	5,374,271	7,753,369
Retained earnings		<u>46,917,225</u>	<u>42,224,332</u>
Total equity attributable to shareholders of the Parent Company		<u>293,480,224</u>	<u>290,272,823</u>
Non-controlling interests		22,064,705	24,136,788
Total equity		<u>315,544,929</u>	<u>314,409,611</u>
Liabilities			
Non-current liabilities			
Employees' end of service indemnity		949,902	1,024,530
Financing from third party	18	150,886,386	153,442,557
		<u>151,836,288</u>	<u>154,467,087</u>
Current liabilities			
Payables	19	17,237,231	19,009,765
Financing from third party	18	37,751,672	31,472,900
		<u>54,988,903</u>	<u>50,482,665</u>
Total liabilities		<u>206,825,191</u>	<u>204,949,752</u>
Total equity and liabilities		<u>522,370,120</u>	<u>519,359,363</u>

The accompanying notes form an integral part of these 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 2018

	Notes	Kuwaiti Dinars	
		2018	2017
Income			
Rental income of investment properties and hotel's revenue	20	30,923,402	30,046,104
Operating expenses	20	(10,344,987)	(10,967,324)
Sale of land and properties held for trading		1,390,884	2,454,916
Cost to sell land and properties held for trading		(662,491)	(1,244,493)
Net income from operating activities		21,306,808	20,289,203
Change in fair value for investment properties		(2,184,877)	(1,296,373)
Reversal of impairment/ (impairment) of land and real estate held for trading		22,025	(7,670)
Share of profit from investment in associate companies		2,573,344	3,231,919
Gain from investments	21	4,246,820	6,388,806
Other income		164,882	272,915
Total income		26,129,002	28,878,800
Expenses and other charges			
Staff costs		(2,326,784)	(2,522,399)
Expenses and other charges		(858,774)	(898,469)
Finance costs		(8,283,793)	(8,114,177)
Reversal /(provisions and impairment)	22	1,963,758	(417,293)
Total expenses		(9,505,593)	(11,952,338)
Net profit before deductions		16,623,409	16,926,462
Kuwait Foundation for the Advancement of Sciences (KFAS)		(97,771)	(98,452)
National Labour Support Tax (NLST)		(405,470)	(368,586)
Zakat Expense		(115,977)	(111,344)
Board of directors' remuneration		(108,000)	(128,000)
Net profit for the year		15,896,191	16,220,080
Distributed as follows:			
Shareholders of the Parent Company		14,503,751	14,256,299
Non-controlling interests		1,392,440	1,963,781
		15,896,191	16,220,080
Earnings per share for Parent Company's shareholders (fils)	23	8.25	8.09

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

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018

	Kuwaiti Dinars	
	2018	2017
Net profit for the year	15,896,191	16,220,080
Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	(562,519)	-
Transfer to retained earnings resulting from sale of FVOCI investment	86,508	-
Group's share in associates' reserves	(628,762)	767,673
	(1,104,773)	767,673
<i>Items that may be reclassified subsequently to statement of income:</i>		
Change in fair value of available for sale investments	-	(524,063)
Foreign currency translation differences	(37,549)	9,424
Total other comprehensive (loss)/income	(1,142,322)	253,034
Total comprehensive income for the year	14,753,869	16,473,114
Distributed as follows:		
Shareholders of the Parent Company	13,336,238	14,479,668
Non-controlling interests	1,417,631	1,993,446
	14,753,869	16,473,114

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

	Kuwaiti Dinars							Total equity
	Equity Attributable to Shareholders of the Parent Company					Non-controlling interests		
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 17)	Retained earnings	Total
Balance as at 1 January 2017	178,708,714	1,308,384	(2,117,879)	33,922,277	26,319,731	7,530,000	39,048,176	284,719,403
Acquisition of additional share in subsidiary	-	-	-	-	-	-	1,051	1,051
Subsidiary dividend paid	-	-	-	-	-	-	(1,051)	(1,050)
Cash dividends (note 25)	-	-	-	-	-	-	(563,967)	(563,967)
Purchase of treasury shares	-	-	(90,507)	-	-	-	(8,836,792)	(8,836,792)
Transactions with owners	178,708,714	1,308,384	(2,208,386)	33,922,277	26,319,731	7,530,000	30,212,435	22,143,342
Net profit for the year	-	-	-	-	-	-	14,256,299	14,256,299
Other comprehensive income	-	-	-	-	-	223,369	-	223,369
Total comprehensive (loss)/income for the year	-	-	-	-	-	223,369	14,256,299	14,479,668
Transferred to reserves	-	-	-	1,496,268	748,134	-	(2,244,402)	-
Balance as at 31 December 2017	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	42,224,332	290,272,823
Balance as at 1 January 2018	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	42,224,332	290,272,823
Impact of initial application of IFRS 9 (note 2.1.1)	-	-	-	-	-	(1,125,077)	1,125,077	-
Impact of initial application of IFRS 9 in the books of associates	-	-	-	-	-	-	(542,833)	(542,833)
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	42,806,576	289,729,990
Acquisition of additional share in subsidiary (note 24)	-	-	-	-	-	-	626,080	626,080
Cash dividends (note 25)	-	-	-	-	-	-	(8,821,044)	(8,821,044)
Purchase of treasury shares	-	-	(1,391,040)	-	-	-	-	(1,391,040)
Transactions with owners	178,708,714	1,308,384	(3,599,426)	35,418,545	27,067,865	6,628,292	34,611,612	280,143,986
Transfer to retained earnings on disposal of FVOCI investment	-	-	-	-	-	-	86,508	86,508
Net profit for the year	-	-	-	-	-	(1,254,021)	14,503,751	14,503,751
Total comprehensive income for the year	-	-	-	-	-	(1,254,021)	-	(1,254,021)
Subsidiary dividend paid	-	-	-	-	-	-	(562,550)	(562,550)
Transferred to reserves	-	-	-	1,523,097	761,549	-	(2,284,646)	-
Balance as at 31 December 2018	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	46,917,225	293,480,224

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

Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Notes	Kuwaiti Dinars	
		2018	2017
Operating activities			
Net profit for the year		15,896,191	16,220,080
<i>Adjustments for:</i>			
Change in fair value of investment properties		2,184,877	1,296,373
Gain from sale of land and properties held for trading		(728,393)	(1,202,753)
Share of profit from investments in associates		(2,573,344)	(3,231,919)
Net gain on investments	21	(4,246,820)	(6,388,806)
Depreciation of property, plant and equipment	5	1,817,090	1,830,490
Finance cost		8,283,793	8,114,177
Provision and impairment		(1,963,758)	417,293
Employees' end of service indemnity provided during the year		332,628	205,289
<i>Operating cash flow before changes in the working capital</i>		19,002,264	17,260,224
Payment for purchase of investment property		(482,312)	(1,344,216)
Purchase of land and real estate held for sale		(4,629,809)	(3,255,928)
Proceeds from sale of land and real estate held for trading		1,390,884	2,454,916
Receivables		(4,158,541)	(5,759,355)
Payables		(1,550,757)	(5,013,395)
Employees' end of service indemnity – paid during the year		(407,256)	(128,418)
Net cash generated from operating activities		9,164,473	4,213,828
Investing activities:			
Payment for purchase of property, plant and equipment	5	(335,410)	(222,124)
Payment to acquire additional share in subsidiaries	25	(2,297,726)	(1,500)
Payment to acquire shares in associates		(1,109,575)	(126,562)
Dividends received from associates		2,826,673	2,486,093
Payment to acquire available for sale investments		-	(2,353,437)
Payment to acquire investment at FVOCI		(6,042,099)	-
Proceeds on sale of available for sale investments		-	272,913
Proceeds on sale of investment at FVOCI		873,786	-
Proceeds on sale of investments at fair value through profit or loss		8,906,069	8,751,698
Payment to acquire investments at fair value through profit or loss		-	(2,061,276)
Cash dividend received		2,393,908	2,473,708
Net cash generated from investing activities		5,215,626	9,219,513
Financing activities:			
Proceeds from financing from third party		61,837,901	21,113,097
Repayment of financing from third party		(58,115,300)	(18,862,173)
Payment for buy-back of treasury shares		(1,391,040)	(90,507)
Cash dividend paid		(8,365,499)	(8,378,114)
Finance cost paid		(8,961,116)	(7,306,943)
Non-controlling interests		(562,550)	(563,967)
Net cash used in from financing activities		(15,557,604)	(14,088,607)
Net change in cash and cash equivalents		(1,177,505)	(655,266)
Effect of foreign currency translation		(37,542)	9,424
Cash and cash equivalents at beginning of the year		2,837,430	3,483,272
Cash and cash equivalents at end of the year	12	1,622,383	2,837,430

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

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 05 March 2019.

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. These accounting policies of the Group have been consistently applied to all years presented, except as stated in note 2.2 in relation to adoption of new and revised International Financial Reporting Standards.

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 following new and revised IFRSs, which became effective for annual periods beginning on or after January 2018, have been adopted in these financial statements.

The Group applies, for the first time, IFRS 9 Financial Instruments (as revised in July 2014) and IFRS 15 Revenue from contracts with customers) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The impact of the initial application of these standards is disclosed as below:

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments:

1) The classification and measurement of financial assets and financial liabilities, Impairment of financial assets

Details of these new requirements as well as their impact on the Group's financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Group reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI and FVTPL. The change in fair value on these equity instruments classified as FVOCI continues to be accumulated in the investment revaluation reserve and change in fair value on instruments classified as FVTPL is adjusted against retained earnings.
- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements - 31 December 2018

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39	Re-measurement -ECL/others	New Carrying amount under IFRS 9
			KD	KD	KD
Financial assets					
Cash and cash equivalents	Loans and receivable	Amortised cost	2,837,430	-	2,837,430
Investments – Equity Securities	AFS	FVOCI	12,168,780	-	12,168,780
Investments – Equity Securities	AFS	FVTPL	14,362,901	-	14,362,901
Investment – Equity Securities	FVTPL	FVTPL	13,505,791	-	13,505,791
Investment – Equity Securities	FVTPL	FVOCI	13,147,286	-	13,147,286
Other financial assets	Loans and receivable	Amortised cost	1,742,571	-	1,742,571

The impact of this change in accounting policy on Shareholders' equity as at 1 January 2018 is as follows:

	Retained earnings	Fair value reserve
	KD	KD
Closing balance under IAS 39 as at 31 December 2017	42,224,332	1,039,636
Impact on reclassification:		
Investment securities (equity) from available-for-sale to FVTPL	1,252,283	(1,252,283)
Investment securities from FVTPL to FVOCI	(127,206)	127,206
Opening balance under IFRS 9 on the date of initial application of 1 January 2018	43,349,409	(85,441)

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost and debt investments at fair value through other comprehensive income but not to investments in equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group's accounting policies for impairment of financial assets under IFRS 9 is explained in note 2.3.5.

(c) Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

(d) Disclosures in relation to the initial application of IFRS 9

The Group's management has provided more extensive disclosures under IFRS 9. The Group's accounting policies for financial instruments are disclosed in detail in note 2.3.5 below.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is mandatorily effective for an accounting period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2.3.12 below. Application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

Notes to the Consolidated Financial Statements - 31 December 2018

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions

The Group does not have any share-based payment schemes hence the amendment to the standard did not impact on the financial position and or financial performance of the Group.

IAS 40 (amendments) Transfers of Investment Property

The Group has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

The Group has adopted the amendments to IAS 28 included in the Annual Improvements to IFRS Standards 2014-2016 Cycle for the first time in the current year.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

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

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	

Notes to the Consolidated Financial Statements - 31 December 2018

New and revised IFRSs	Effective for annual periods beginning on or after
Impact assessment of IFRS 16 Leases	
The Group is in process of assessing the impact of new requirement of IFRS 16 to recognise a right-to-use, on the financial statements of the Group.	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing costs.	
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRIC 23 addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	
<ul style="list-style-type: none"> • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances. 	
Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation.	
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
Amendment to IAS 19 Employee Benefits relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures.	1 January 2019
The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	
Amendments to References to the Conceptual Framework in IFRS Standards - amendments 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	1 January 2020

Notes to the Consolidated Financial Statements - 31 December 2018

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 3 Business Combinations relating to definition of a business	1 January 2020
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	
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 and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable.	
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 affects 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.	
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.	

Notes to the Consolidated Financial Statements - 31 December 2018

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.

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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 – applicable before 1 January 2018

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Notes to the Consolidated Financial Statements - 31 December 2018

Financial assets as fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gains or losses arising from remeasurement recognised in the consolidated statement of income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 3.3).

Available for sale financial assets (AFS)

AFS are non-derivatives financial assets not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through profit or loss.

The available for sale financial assets is re-measured at fair value. The fair value is determined in the manner described in (note 3.3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income items.

Loans and debtors

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash at banks) are measured at amortised cost using the effective interest method, less any impairment.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced by making an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the consolidated statement of income.

Notes to the Consolidated Financial Statements - 31 December 2018

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of income for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in the consolidated statement of income are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated statement of income.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and remeasured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities only when the Group's obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of income.

Offsetting

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

2.3.6 Financial instruments – applicable after 1 January 2018

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;

Notes to the Consolidated Financial Statements - 31 December 2018

- 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.

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'Expected Credit Loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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.

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.

Notes to the Consolidated Financial Statements - 31 December 2018

2.3.7 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.

2.3.8 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.

2.3.9 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.

2.3.10 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.

2.3.11 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.

2.3.12 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.

Notes to the Consolidated Financial Statements - 31 December 2018

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.

2.3.13 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.

2.3.14 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.

2.3.15 Leasing

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 recognized 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 recognized 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 as an expense on a straight-line basis over the lease term.

2.3.16 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:

	2018	2017
US Dollar	27,662,229	26,232,438
Sterling Pound	9,973,953	10,208,641
Bahraini Dinar	34,078,530	28,501,796
Other	19,770,409	18,840,760

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:

	Kuwaiti Dinars			
	2018		2017	
	Equity	Statement of income	Equity	Statement of income
US Dollar	592,587	790,525	566,741	744,881
Sterling Pound	387,190	111,507	220,454	289,978
Bahrain Dinar	18,285	1,685,641	56,925	1,368,165
Other	665,836	322,684	142,116	799,922

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:

	2018	2017
Bank balances	1,598,695	2,797,716
Receivables	6,991,296	5,774,418
Due from related parties	130,141	131,182
Refundable deposits	349,530	351,430
Other debit balance	149,668	93,361
	<u>9,219,330</u>	<u>9,148,107</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 2018 and for the year ended 31 December 2018 are not material.

Notes to the Consolidated Financial Statements - 31 December 2018

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

31 December 2018	0-90 Days	91-180 days	181-365 days	> 365 days	Total
<i>Expected credit loss rate</i>	4.10%	33.24%	73.76%	100%	
<i>Gross carrying amount</i>	2,133,751	333,084	344,496	4,179,965	6,991,296
<i>Lifetime ECL</i>	87,500	110,503	254,117	4,179,965	4,632,085
01 January 2018	0-90 Days	91-180 days	181-365 days	> 365 days	Total
<i>Expected credit loss rate</i>	25.40%	48.20%	64.53%	100%	
<i>Gross carrying amount</i>	1,128,513	382,472	620,177	3,643,256	5,774,418
<i>Lifetime ECL</i>	286,633	184,357	400,213	3,643,256	4,514,459

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.

	Kuwaiti Dinars				
	2018				
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	Total
Borrowings	6,049,906	41,453,315	148,419,791	24,455,736	220,378,748
Accounts payable	3,038,739	11,915,790	-	-	14,954,529
	Kuwaiti Dinars				
	2017				
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	Total
Borrowings	17,052,258	27,191,106	155,903,087	15,040,827	215,187,278
Accounts payable	2,719,416	14,155,109	-	-	16,874,525

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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:

	Kuwaiti Dinars	
	2018	2017
Financing from third party	188,638,058	184,915,457
Less: cash and cash equivalents	(1,622,383)	(2,837,430)
Net debt	187,015,675	182,078,027
Total equity	315,544,929	314,409,611
Gearing ratio (%)	59.27	57.91

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:

	Kuwaiti Dinars				Relation of unobservable inputs to fair value
	Fair value as at 2018	Fair value level	Valuation methods and key inputs	Significant unobservable inputs	
Financial assets					
Investments at fair value through other comprehensive income					
Quoted shares	111,309	1	Last bid price	N/A	N/A Higher estimated cash flows and lower discount rates, results in higher fair value
Private equity	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	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
Available for sale investments:					
Quoted shares	-	1	Last bid price	N/A	N/A Higher estimated cash flows and lower discount rates, results in higher fair value
Private equity	-	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	-	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	595,500	1	Last bid price	N/A	N/A Higher estimated cash flows and lower discount rates, results in higher fair value
Private equity	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 - 31 December 2018

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

	Kuwaiti Dinars			
	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
- Due from related parties	130,141	130,141	131,182	131,182
- Receivables	3,078,767	3,078,767	1,846,922	1,846,922
- Cash and cash equivalents	1,622,383	1,622,383	2,837,430	2,837,430
	<u>4,831,291</u>	<u>4,831,291</u>	<u>4,815,534</u>	<u>4,815,534</u>
Financial liabilities:				
- Financing from third party	188,638,058	187,320,489	184,915,457	183,399,359
- Payables	17,237,231	17,237,231	19,009,765	19,009,765
	<u>205,875,289</u>	<u>204,557,720</u>	<u>203,925,222</u>	<u>202,409,124</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 judgments and estimates 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 recognized in the period of the revision and future periods if the revision affects future periods.

Judgements:

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

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.

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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

Applicable before 1 January 2018

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.

Applicable from 1 January 2018

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

Applicable from 1 January 2018

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 2.3.6 impairment of financial assets for more information.

Notes to the Consolidated Financial Statements - 31 December 2018

Applicable before 1 January 2018

The Group reviews its financial assets classified as "available for sale investments" and "loans and receivables" periodically to assess 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.

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).

5. Property, plant and equipment

	Kuwaiti Dinars				
	Land & buildings	Furniture & fittings	Furniture & utensils	Office equipment & tools	Total
Cost					
Balance at 1 January 2017	26,924,266	10,473,587	3,586,357	1,124,029	42,108,239
Additions	-	321,637	-	194,635	516,272
Balance at 31 December 2017	26,924,266	10,795,224	3,586,357	1,318,664	42,624,511
Additions	3,900	28,074	57,410	246,026	335,410
Balance at 31 December 2018	26,928,166	10,823,298	3,643,767	1,564,690	42,959,921
Accumulated depreciation					
Balance at 1 January 2017	3,450,728	6,608,853	3,570,060	801,462	14,431,103
Depreciation for the year	564,940	1,115,549	16,006	133,995	1,830,490
Balance at 31 December 2017	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
Net carrying value					
As at 31 December 2018	22,346,038	2,018,428	48,863	467,909	24,881,238
As at 31 December 2017	22,908,598	3,070,822	291	383,207	26,362,918
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:

	Kuwaiti Dinars	
	2018	2017
Balance at 1 January	367,511,385	367,463,542
Additions during the year	482,312	1,344,216
Transferred from Land and properties held for trading	4,591,825	-
Change in fair value	(2,184,877)	(1,296,373)
Balance at 31 December	370,400,645	367,511,385

Notes to the Consolidated Financial Statements - 31 December 2018

The fair value of the Group's investment properties as at 31 December 2018 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% (31 December 2017: 7.5%)

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 282,472,540 as at 31 December 2018 (31 December 2017 - KD 282,711,612) pledged to local financial institutions as collateral for finance obtained by the Group (note 18).

7. Investments in associates

7.1 Financial information

Company	Country of incorporation	Principal activity	Ownership %		Kuwaiti Dinars	
			2018	2017	2018	2017
Hajar Tower Real Estate Co.	Kuwait	Real Estate	27.42	27.42	9,308,917	9,988,876
Kuwait Resorts Co.	Kuwait	Services	34.93	33.75	8,938,199	8,654,686
Bayan Real Estate Co.	Saudi Arabia	Real Estate Holding	22.71	21.68	4,556,970	2,887,696
Afkar Holding Co.	Kuwait	Company	19.35	19.35	3,000,000	2,899,327
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	22.84	22.84	2,754,369	2,505,831
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	904,459	904,459
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	11,363,863	11,468,994
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,226,709	3,823,383
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,556,502	1,464,409
Other					698,194	716,313
					<u>47,308,182</u>	<u>45,313,974</u>

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 3,563,393 as at 31 December 2018 (31 December 2017: KD 4,228,686).

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

Notes to the Consolidated Financial Statements - 31 December 2018

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.

	Kuwaiti Dinars	
	2018	2017
Current assets	19,584,673	20,934,435
Non-current assets	15,038,961	17,176,552
Current liabilities	5,761,335	8,336,558
Non-current liabilities	2,856,066	3,680,932

	Kuwaiti Dinars	
	2018	2017
Revenue	7,918,580	7,999,906
(Loss)/profit for the year	(211,008)	2,473,060
Dividends received from associate during the year	304,073	294,432

Hajar Tower Real Estate Company

	Kuwaiti Dinars	
	2018	2017
Current assets	20,893,956	22,086,207
Non-current assets	35,977,148	38,410,410
Current liabilities	9,195,349	11,438,473
Non-current liabilities	13,467,860	12,377,200

	Kuwaiti Dinars	
	2018	2017
Revenue	14,995,436	16,689,006
Profit for the year	1,620,044	2,212,077
Dividends received from associate during the year	1,100,480	1,375,600

Al Jahra Tourism Co.

	Kuwaiti Dinars	
	2018	2017
Current assets	6,819,389	5,879,254
Non-current assets	21,297,503	22,332,499
Current liabilities	1,651,227	2,352,487
Non-current liabilities	1,140,935	300,217

	Kuwaiti Dinars	
	2018	2017
Revenue	7,495,042	7,762,293
Profit for the year	3,122,322	2,716,292
Dividends received from associate during the year	1,422,120	711,061

Notes to the Consolidated Financial Statements - 31 December 2018

Aggregate information of associates that are not individually material

	Kuwaiti Dinars	
	2018	2017
The Group's share of income from continuing operations	183,184	47,774
The Group's share of other comprehensive income/(loss) for the year	(804,463)	472,071
The Group's share of total comprehensive income/(loss) for the year	(621,279)	519,845
Aggregate carrying amount of the Group's interest in these associates	17,697,204	15,201,418

8. Investment available for sale

	Kuwaiti Dinars	
	2018	2017
Investment in quoted shares	-	927,272
Investment in private equities managed by others	-	22,305,872
Investment funds	-	3,298,537
	-	26,531,681

The fair value estimated based on the valuation techniques is set out in note (3.3).

Investment at FVOCI

	Kuwaiti Dinars	
	2018	2017
Investment in quoted shares	111,309	-
Investment in private equities managed by others	33,713,166	-
Investment funds	428,360	-
	34,252,835	-

9. Land and properties held for trading

	Kuwaiti Dinars	
	2018	2017
Balance as at 1 January	13,782,570	11,778,895
Additions	4,629,809	3,255,928
Transferd to Investment properties	(4,591,825)	-
Sales during the year	(662,491)	(1,244,493)
Reversal of Impairment / (Impairment)	22,025	(7,760)
Balance as at 31 December	13,180,088	13,782,570

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).

Notes to the Consolidated Financial Statements - 31 December 2018

11. Receivables

	Kuwaiti Dinars	
	2018	2017
Trade receivables	6,991,296	5,774,418
Due from related parties (note 26)	130,141	131,182
Loss allowance	(4,632,085)	(4,514,459)
	2,489,352	1,391,141
Advance payments for acquisition of investments	1,160,287	4,286,210
Advance payment for purchase of land	4,757,989	3,344,997
Advances to contractors and suppliers	740,597	612,151
Prepaid expenses	106,429	144,866
Refundable deposits	349,530	351,430
Other debit balances	370,026	235,533
	9,974,210	10,366,328

Trade receivables include an amount of KD 6,175,938 that is past due and impaired as at 31 December 2018 for which the Group has recognized a provision of KD 4,632,085 (31 December 2017: KD 5,585,602 with a provision of KD 4,514,459).

Aging of past due but not collected trade and other receivables as at 31 December 2018 is as follows:

	Kuwaiti Dinars	
	2018	2017
30 - 60 days	656,685	525,771
60 - 90 days	158,081	303,658
90 - 120 days	173,284	107,303
Above 120 days	5,187,888	4,648,870
	6,175,938	5,585,602

Movement of provision for doubtful debts for the year:

	Kuwaiti Dinars	
	2018	2017
Balance as at 1 January	4,514,459	4,187,166
Provided during the year	386,709	336,372
Reversal of provision for doubtful debts	-	(9,079)
Bad debts	(269,083)	-
Balance as at 31 December	4,632,085	4,514,459

12. Cash and cash equivalents

	Kuwaiti Dinars	
	2018	2017
Cash in hand	23,688	39,714
Cash at banks and financial institutions	1,598,695	2,797,716
	1,622,383	2,837,430

13. Share capital

The authorized, issued, and paid up share capital of the Parent Company is KD 178,708,714 (31 December 2017: KD 178,708,714) distributed over 1,787,087,137 shares (31 December 2017: 1,787,087,137 shares) with a nominal value of 100 fils each, fully paid up in cash.

Notes to the Consolidated Financial Statements - 31 December 2018

14. Treasury shares

	Kuwaiti Dinars	
	2018	2017
Number of shares	42,326,225	24,566,570
Proportion to issued shares (%)	2.37	1.37
Market value	3,894,013	2,247,841
Cost	3,599,426	2,208,386

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 14,595,416 shares are held by a subsidiary as of 31 December 2018 (31 December 2017: 13,470,813 shares).

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.

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

	Kuwaiti Dinars				
	Change in fair value reserve	Group's share in associates' reserves	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Total
Balance as at 1 January 2017	1,593,364	96,611	5,547,886	292,139	7,530,000
Total comprehensive (losses)/income for the year	(553,728)	767,673	-	9,424	223,369
Balance as at 31 December 2017	1,039,636	864,284	5,547,886	301,563	7,753,369
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 (note 2.2.1)	(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)/income for the year	(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

Notes to the Consolidated Financial Statements - 31 December 2018

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:

	Kuwaiti Dinars	
	2018	2017
Current portion	37,751,672	31,472,900
Non-current portion	150,886,386	153,442,557
	188,638,058	184,915,457

Average cost of financing from third parties is 4.39% as at 31 December 2018 (31 December 2017: 4.39%).

The maturity analysis is set out in note (3.1)

The Group obtained finance against pledge of 245,697,583 (31 December 2017: 245,697,583) share of Al Salmia Group (subsidiary) in addition to the following assets:

	Kuwaiti Dinars	
	2018	2017
Property, plant and equipment (Note 5)	24,376,572	25,781,345
Investment properties (Note 6)	282,472,540	282,711,612

19. Payables

	Kuwaiti Dinars	
	2018	2017
Trade payables	1,637,954	1,039,264
Due to related party (Note 26)	189,717	189,717
Retentions	776,988	1,317,518
Accrued expenses	3,387,402	4,590,970
Rent received in advance	1,134,885	2,725,442
Deposits from others	3,561,444	3,661,222
Kuwait Foundation for the Advancement of Science (KFAS)	97,771	98,452
National Labor Support Tax	405,470	368,586
Zakat	117,539	111,344
Dividends payable to shareholders	1,892,485	1,436,940
Finance claim (Note 28)	1,575,699	1,575,699
Other payables	2,459,877	1,894,611
	17,237,231	19,009,765

20. Net income from operating activities

	Kuwaiti Dinars	
	2018	2017
Real estate rental income	25,386,078	24,500,820
Hotel and hospitality revenues	5,537,324	5,545,284
Total revenues	30,923,402	30,046,104
Property expenses	(4,881,291)	(4,895,887)
Hotel and hospitality expenses	(5,463,696)	(6,071,437)
	20,578,415	19,078,780

Notes to the Consolidated Financial Statements - 31 December 2018

Hotel expenses include an amount of KD 1,688,915 that represents the current year depreciation of the hotel building and related equipments (31 December 2017: KD 1,676,026).

21. Net income on financial investments

	Kuwaiti Dinars	
	2018	2017
Investment at FVOCI		
Cash dividends	2,022,345	-
	<u>2,022,345</u>	<u>-</u>
Available for sale investments		
Profit on sale	-	23,222
Cash dividends	-	910,807
	<u>-</u>	<u>934,029</u>
Investments at fair value through profit or loss		
Gain from change in fair value	1,206,371	3,344,722
Cash dividends	478,219	1,560,374
Profit on sale	539,885	549,681
	<u>2,224,475</u>	<u>5,454,777</u>
	<u>4,246,820</u>	<u>6,388,806</u>

22. Provision and impairment

	Kuwaiti Dinars	
	2018	2017
Impairment of available for sale investments	-	(90,000)
Reversal of impairment related to investment in associates	2,350,467	-
Net movement in provision for doubtful debts	(386,709)	(327,293)
	<u>1,963,758</u>	<u>(417,293)</u>

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:

	Kuwaiti Dinars	
	2018	2017
Net profit (KD)	14,503,751	14,256,299
Weighted average number of outstanding shares (share)	1,757,398,458	1,763,215,419
Basic earnings per share (fils)	8.25	8.09

Notes to the Consolidated Financial Statements - 31 December 2018

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	Kuwaiti Dinars	
			Shareholding percent (%)	
			2018	2017
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.57	72.22
Commeriale Real Estate Development Co.	Real Estate	Kingdom of Bahrain	100	100
Commeriale Real Estate Development Co.	Real Estate	Morocco	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

	Kuwaiti Dinars	
	2018	2017
Current assets	844,695	535,911
Non-current assets	71,651,000	74,399,000
Current liabilities	3,606,588	4,037,213
Non-current liabilities	14,846,284	17,936,008
Equity attributable to shareholders of the Parent Company	44,260,632	43,375,193
Non-controlling interests	9,782,191	9,586,497

	Kuwaiti Dinars	
	2018	2017
Revenue	3,770,658	5,237,815
Expenses	(2,716,023)	(2,661,609)
Profit/(loss) for the year	1,054,635	2,576,207
Profit for the year attributable to shareholders of the Parent Company	858,941	2,112,143
Profit for the year attributable to non-controlling interests	195,694	464,064
Total comprehensive income attributable to shareholders of the Parent Company	858,941	2,112,143
Total comprehensive profit attributable to non-controlling interests	195,694	464,064
Total comprehensive income for the year	1,054,635	2,576,207

	Kuwaiti Dinars	
	2018	2017
Net cash flow generated/(used in) operating activities	1,520,697	(1,617,597)
Net cash flow used in investing activities	(194,766)	(270,370)
Net cash flow generated/(used in) financing activities	(1,232,821)	1,816,225
Net change in cash and cash equivalents of the subsidiary	93,110	(71,742)

Al Mutajara Real Estate Company

	Kuwaiti Dinars	
	2018	2017
Current assets	7,033,370	10,735,552
Non-current assets	66,537,000	61,717,125
Current liabilities	1,969,141	3,774,305
Non-current liability	15,899,200	15,694,700
Equity attributable to shareholders of the Parent Company	43,419,515	38,433,381
Non-controlling interests	12,282,514	14,550,291
	Kuwaiti Dinars	
	2018	2017
Revenue	5,916,467	6,563,645
Expenses	(916,136)	(959,970)
Profit for the year	5,000,331	5,603,672
Profit for the year attributable to shareholders of the Parent Company	3,803,585	4,103,955
Profit for the year attributable to non-controlling interests	1,196,746	1,499,717
Total comprehensive income attributable to shareholders of the Parent Company	5,112,659	4,181,080
Total comprehensive income attributable to non-controlling interests	1,221,937	1,529,382
Total comprehensive income for the year	3,890,722	5,710,462
Dividends paid to non-controlling interests	562,550	563,967
Net cash flow generated/(used in) from operating activities	6,682,724	2,202,262
Net cash flow generated/(used in) from investing activities	(2,163,634)	2,331,484
Net cash flow (used in)/generated from financing activities	(4,528,882)	(4,316,959)
Net change in cash and cash equivalents of the subsidiary	(9,792)	216,787

Change in Group's ownership interest

During the year, the Group increased its interest in the subsidiary "Al Mutajara Real Estate Company K.S.C.C." at 77.57% by acquiring interests from non-controlling interests for an amount of KD 2,297,726. The net carrying value of acquired assets and liabilities exceeds the paid consideration by KD 626,080 and this difference has been included within equity as follows:

Parent Company's share in net acquired assets	2,923,806
Fair value of paid amount against acquisition	2,297,726
Gain on bargain purchase	626,080

25. Dividends

On 9 April 2018, the Annual General Assembly (AGM) of the Parent Company's shareholders has approved the consolidated financial statements for the year ended 31 December 2017 and approved to distribute cash dividends of 5% to the shareholders of record as of the due date (5% dividends for the year ended 31 December 2016).

For 2018, the Parent Company's Board of Directors proposed cash dividends of 5% and stock dividend (treasury shares) of 2% for the year ended 31 December 2018. 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:

Transactions	Kuwaiti Dinars	
	2018	2017
Key management remuneration	835,408	1,163,597
Purchase of an additional shares in subsidiary	2,250,000	-
Balances		
Receivables (Note 11)	130,141	131,182
Payables (Note 19)	189,717	189,717
Key management remuneration	503,326	926,714

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.

27. Capital commitments

	Kuwaiti Dinars	
	2018	2017
Uncalled capital – investments	436,429	1,081,465
Contracts for projects under development	6,836,699	10,858,379
Other	3,296,235	3,559,427
	10,569,363	15,499,271

28. Contingent liabilities

During the year, the Parent Company was notified that the General Authority for Zakat and Tax in the Kingdom of Saudi Arabia assessed tax for capital gains on a deemed profit basis on the Parent Company and other investors for one of the investments which the Company exited in 2009.

The Parent Company's share in such tax assessment is KD 2,867,000. The Group believes that the value of the tax assessment mentioned in the notice is overestimated. The Group appointed a tax consultant for it in KSA and filed a formal objection to the tax claim. Further, the Group recalculated its share in the tax assessment value. Based on this, the Parent Company recognised a liability provision of KD 1,575,699 in the consolidated statement of income for the year ended 31 December 2016. This amount represents the best estimate of the outstanding liabilities until the value of the final liability is decided.

On the date of the consolidated financial statements, there have been letter of guarantees issued to others amounting to KD 3,760,481 (31 December 2017: KD 2,995,067).

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.

Notes to the Consolidated Financial Statements - 31 December 2018

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

	2018			
	Kuwaiti Dinars			
	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	17,715,948	73,628	8,958,958	26,748,534
Unallocated costs				(10,852,343)
Net profit				15,896,191

Revenue
Direct cost
Gross profit
Unallocated costs
Net profit

	2017			
	Kuwaiti Dinars			
	Real estate sector	Hotel	Investment sector	Total
Revenue	24,407,200	5,545,284	9,620,725	39,573,209
Direct cost	(6,172,192)	(6,071,437)	(321,522)	(12,565,151)
Gross profit	18,235,008	(526,153)	9,299,203	27,008,058
Unallocated costs				(10,787,978)
Net profit				16,220,080

Revenue
Direct cost
Gross profit
Unallocated costs
Net profit

Geographic distribution

	2018			
	Kuwaiti Dinars			
	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)	10,580,793	1,290,709	4,024,689	15,896,191

Total income
Total expenses
Net profit/(loss)

	2017			
	Kuwaiti Dinars			
	State of Kuwait	Gulf Countries	Other	Total
Total income	21,514,134	1,575,460	5,789,206	28,878,800
Total expenses	(9,670,638)	(2,988,082)	-	(12,658,720)
Net profit/(loss)	11,843,496	(1,412,622)	5,789,206	16,220,080

Total income
Total expenses
Net profit/(loss)

Geographic distribution of assets and liabilities

	Kuwaiti Dinars			
	Assets		Liabilities	
	2018	2017	2018	2017
State of Kuwait	427,735,500	433,518,178	175,756,333	159,236,634
Gulf countries	51,705,543	44,277,441	31,068,858	45,713,118
Other	42,929,077	41,563,744	-	-
	522,370,120	519,359,363	206,825,191	204,949,752

State of Kuwait
Gulf countries
Other

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

Our Values and Principles



مع خالص تحياتي
With my best regards
عبدالفتاح معرفي
Abdulfatah Marafie



C.R. 239 - Capital: KD 178,708,714



(+965) 1805252, 22902900



(+965) 22902901



State of Kuwait



P.O.Box: 4119 Safat 13042



E-mail: crc@altijaria.com



www.altijaria.com

