

2022

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





**His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Emir of Kuwait**



**His Highness
Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of Kuwait**



**His Highness
Sheikh Ahmed Nawaf Al-Ahmad Al-Sabah
Prime Minister of the State of Kuwait**

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Board of Directors



Abdulfatah M R Marafie
Chairman



Adwan Mohammad AlAdwani
Vice Chairman



Eng. Ibrahim M AlGhanim
Board Member



Hussain Abdullah Johar
Board Member



Abdulaziz Al Hasawi
Board Member



Eng. Abdulmutaleb A M Marafie
Board Member



Talal J Al Bahar
Board Member



Yousef Y AlAwadhi
Board Member

Executive Management

#	Name	Job Title
1	Eng. Abdulmutaleb A. M Marafie	Chief Executive Officer (CEO)
2	Saleh Ahmad AlAryan	CEO - Admin & Legal Affairs Group
3	Eng. Yousef Ghazi Alsaqabi	CEO of Technical Affairs Group
4	Mohammad Haider Ghadhanfari	Deputy C.E.O Admin & Legal Affairs Group
5	Eng. Homoud Oqlah AlEnezi	Deputy CEO –Property Group
6	Fuad Hasan Zarour	Accounting Department Manager
7	Walid Wizani	Finance & Strategic Planning Department Manager
8	Ahmed Abbas Shakib	Deputy Director - Investment Department

Duties and Responsibilities of the Executive Management

The company's activities are carried out by the executive management under the supervision and guidance of the chief executives in order to achieve a balance in the relations between the company and its employees, investors and customers, and to ensure working within the company's objectives and dedicating its resources appropriately to meet its objectives in accordance with the company's policy and strategy.

1. Implementing the strategy and all plans, policies, rules and internal regulations approved by the Board of Directors.
2. Bearing full responsibility for the company's overall performance and business results through establishing a management structure that enhances accountability and transparency, in addition to preparing periodic reports (financial and non-financial) on the progress made in the company's activity in light of the company's strategic plans and objectives, and presenting those reports to the Board of Directors.
3. Developing an integrated accounting system that maintains books, records and accounts that reflect in a detailed and accurate manner the financial statements and income accounts, thus allowing the preservation of the company's assets and the preparation of financial statements approved by the Supervisory Board.
4. Managing the daily work and optimally managing all activities, human and financial resources, maximizing profits, minimizing expenses, and achieving goals and company strategy.
5. Participating efficiently in building and developing a culture of ethical values in the company.
6. Developing the internal control and risk management systems, ensuring the efficiency and effectiveness of these systems, and ensuring compliance with the risk tendency approved by the Board of Directors.
7. Providing the necessary information and reports to the Board of Directors in a timely, accurate and comprehensive manner.
8. Submitting recommendations regarding the strategy and plans followed for improvement and development through well-thought-out plans to ensure their efficiency and effectiveness.
9. Commitment to apply the powers and responsibilities granted in accordance with the approved system of powers.
10. Submitting periodic reports on the executive management's exercise of the powers delegated by the Board.
11. Submitting proposals and recommendations in the light of application and practice with the aim of developing and updating policies and procedures to be submitted to the concerned committees and the Council for final approval.
12. Following-up to ensure the implementation of laws, rules and regulations issued by the regulatory authorities, and prepare reports that include recommendations regarding obstacles and violations resulting from implementation.

During 2022, the Executive Management carried out its tasks and responsibilities in accordance with the powers.

Chairman's Message



**In the name of Allah, the most Merciful, the most Compassionate
Peace be upon you all**

First of all, it gives me great pleasure, for myself and on behalf of members of the Board of Directors, to express my great gratitude and thanks to you for the trust, support, continuous appreciation and deep belief in our ability as a work team to devote aspirations and goals and put them into practice.

I and members of the Board of Directors, are also pleased to present the company's annual report on the consolidated financial statements for the fiscal year ending on December 31, 2022, which includes a clear picture of the company's performance and financial position. It presents the most important achievements during this year, which reflect the efforts made to develop performance and achieve the desired goals to ensure the interest of shareholders.

The company's outcomes for this year resulted in achieving a net profit of 12,479,693 K.D (only twelve million four hundred and seventy-nine thousand six hundred and ninety-three Kuwaiti dinars). The company maintained performance and returns ratios, as the return on shareholders' equity reached 4.31%, the return on capital 6.78%, and the return on total assets 2.42%.

During the year 2022, the company achieved a growth in revenues from real estate and hotel by 14.85% compared to the same period last year, reaching KD 29,011,751 during the current year compared to KD 25,259,459, supported by an increase in occupancy levels.

Based on the achieved results, the company's board of directors recommended the distribution of cash dividends at 3% of the nominal value of the share, and the distribution of bonus shares (from the treasury shares) at a rate of 3% (3 shares for every 100 shares). It is worth noting that the recommendations of the Board of Directors regarding the distribution of profits were developed on the basis of a well-studied foundation and methodology in accordance with the future vision of the projects and operating revenues of the company with the aim of creating added value for shareholders.

Dear Valued Shareholders,

To keep continuation of the company's methodology and strategy based on maintaining the diversity of the real estate and investment portfolio in terms of the size and nature of investments and geographical distribution within a business plan aimed at balancing risks and returns by entering promising and income-generating investments, the company has entered into new investments in the United States, Germany, Netherlands, Belgium and Italy with a group of strategic investors through Gulf investment companies, and these investments are in the logistics sector, warehouses, office and residential properties.

On the other hand, I and members of the Board of Directors congratulate ourselves and you on the success of the company in obtaining the upgrading from the main market to join the premier market in Kuwait Boursa, which targets companies with high liquidity and medium to large market capitalization, "The Elite Market", which is the culmination of its pioneering path and reaping benefits of effort and hard work for many years.

We also point out that the company has joined the United Nations Global Compact Initiative to Achieve the Principles of Sustainability, as this initiative aims to unify the efforts of leading companies to participate in the fields of human rights, combating corruption, and supporting the environment and decent work. Although the company has been committed to including these objectives within its business for many years, joining such initiatives paves the way and encourages other companies to adopt the same principles within their priorities. Al-Tijaria's interest in social responsibility and its eagerness to apply the principles of corporate governance has grown in the past years until it has become one of the key performance criteria, especially since the company believes that social responsibility is no longer a matter of volunteering to help society, but rather has become essential to success in the long term through various charitable, cultural, scientific, health, environmental and social activities.

Dear Shareholders

In conclusion, I extend my sincere thanks for your great confidence, which means motivation and support for our journey, and I invite you to advise us with your wise opinions, as we are accustomed to from you, so that they combine with our efforts and our continuous pursuit to achieve the desired goals. As usual, dear shareholders, the open-door policy for the management of the company and those in charge of it is one of our practical slogans, and this is accompanied by transparency in presenting information.

We ask Allah, to protect Kuwait and its people from all harm under the leadership of His Highness the Amir, Sheikh/ Nawaf Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh/ Mishaal Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Prime Minister Sheikh/ Ahmed Nawaf Al-Ahmad Al-Sabah, may Allah protect them and take care of them all.



Abdulfatah M.R. Marafie
Chairman

Company's Achievements and Projects:



Boulevard Ballroom Management

Al-Tijaria Tower is considered one of the most important projects of The Commercial Estate Company. It is a distinguished real estate edifice that combines modern architecture and the first of its kind in the State of Kuwait. It is built on a land area of 4,293 square meters. It consists of 36 floors for offices in addition to 4 floors for shops. Its height is 218 meters. The cost of the project was about 37 million Kuwaiti dinars. Al-Tijaria Tower is strategically located in the heart of the capital, Kuwait City, with a beautiful view of Al-Shaheed Park. Al-Tijaria Tower received the Excellence Award for Construction Projects from the American Concrete Institute, Kuwait Branch, which is an award given in recognition of outstanding work in the field of design, construction and implementation of concrete at the level of the State of Kuwait.



Symphony Style (Hotel - Offices - Mall)

Symphony project is one of the most prominent projects of Al-Tijaria in the State of Kuwait. The project land area is 11,749 square meters and the construction area exceeds 95,000 square meters. Symphony Style consists of three parts, the first is the commercial office tower consists of 10 floors, and the second is Symphony Style Mall contains shops distributed over 3 floors. It also contains more than 52 stores with distinct ideas from small business owners under the title "Lobby". The third part of the project is Symphony Style Kuwait Hotel.



Light Restaurants

The Light project is located in the most important intersections of the coastal road in (Mahboula) area, contains (11) units and includes a collection of the finest restaurants locally and internationally on an area of 5,940 square meters. Light Restaurants project is characterized by a ceiling height of 7.4 meters and a floor that is higher than the street level, where the car parks are located at the low ground level. The restaurants also feature outdoor seating areas that can be combined with indoor areas, and between the two seating areas in the center of the project is the central area, which contains a dancing fountain with a stunning view and an open multi-purpose space equipped with services to be used for cultural and artistic events.



Dine Zone

"Dine Zone" is the company's latest commercial real estate project consists of 26 villas with a calm and charming atmosphere and directly overlooking to the sea. The area of this project is (17,378) square meters, and the units have been rented by 100%, and 75% of them have started their activities. "Dine Zone Restaurants" expresses a distinctive concept of restaurants and cafes on two floors and outdoor seating for each villa.



Thatcher Apartment Complex

The Thatcher project is located in Mahboula area, it consists of furnished apartments with a hotel system where all services are available, and the total land area is 5,373 square meters. The project contains three partially connected towers, each consisting of 16 floors, containing 77 apartments, including apartments consisting of two and three bedrooms, duplex apartments (penthouse), and a commercial store. These apartments are served by (7) elevators for individuals and a service elevator, as well as swimming pools for adults and children, Jacuzzi, a fully equipped health club and a squash court. There are also 6 villas in the complex, each consisting of two floors and a basement. The complex includes all smart systems, modern operation and management services, guarding and security 24/7.



Juman Residential Complex

Juman Residential Complex is one of the Commercial Real Estate Company architectural innovations. It is a real estate edifice designed with a smart building system and is located on a land area of 7,950 square meters in Mahboula area. The complex consists of two residential towers, each consisting of 12 floors, in addition to parking lots and multiple shops. The complex is characterized by a variety of residential apartments of different sizes, including apartments consisting of one, two and three bedrooms, duplexes (Penthouse) apartments, in addition to townhouses consisting of 3 floors, and each apartment has a distinctive balcony, and there are also private swimming pools. The complex also has a health club, squash court, swimming pools, beautiful gardens and a children's playroom and 3 shops.



Al-Tijaria Tower (Offices -Mall)

In the middle of Salmiya, and amidst beautiful green spaces, Boulevard Ballroom is located to witness your lovely moments and make them more special and beautiful. Boulevard Ballroom extends over an area of more than 1,641,529 square meters and contains luxurious wedding hall and equipped meeting rooms, which opened in the last quarter of 2019. The wedding hall with a vast area that can accommodate more than 800 people to make the night of life and your events an unforgettable experience. Boulevard Ballroom also contains a special room for bride, which gives the princess of the night a sense of privacy, luxury and pampering to prepare her for the night of her life. The room has been designed in royal colors and designs that suggest a sense of luxury that every bride deserves. As for the meeting room, it is equipped with a large area that attracts attention and gives a high sense of professionalism and privacy.



Edara (Management of Third Party Property)

“Edara” is the strategic business unit of the commercial company responsible for providing real estate management services at the highest levels to meet the needs of the market and provide real estate services for all types of real estate, whether residential, commercial, or investment. “Edara” business is launched according to the highest standards, and a highly qualified team in the field of real estate management is keen on this. It is distinguished by providing first-class real estate advisory services through the experiences that the company has acquired over more than 15 years of success, good knowledge of the market and preceded by unparalleled know-how. “Edara” is also keen to help clients achieve the highest value for their real estate assets and reduce risks to the lowest level. Al-Tijaria aspires through “Edara” to create an added value for real estate and property owners in the State of Kuwait for everyone who desires to obtain comfort, safety and responsibility in the follow-up and management of their properties with accumulated experience and by specialists and dedicate it to their benefit regardless of the size of the real estate portfolio.

The Commercial Real Estate Company’s extensive experience extends over the years in managing its properties and those of third parties’ of various types, including residential, commercial, office, and recreational. Among the distinctive properties, that Edara received, as part of its activities for managing third-party real estate is “Boulevard Mall and Cube Complex Formerly”.



edara إدارة
Let us manage your property دعنا ندير عقارك



Investments (Geographical)



Subsidiaries and Associates

Subsidiaries Companies

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

Associates Companies

Kuwait	Commercial Market Complex Company Kuwait Resorts Company Hajar Tower Real Estate Company Afkar Holding Company Al Jahra Touristic Company Gulf Opportunities Company
Saudi Arabia	Bayan Real Estate Company
Morocco	Mozon Investment Holding Company
United Arab Emirates	Vacation Club Venture Limited Company
Bahrain	Waves Budaiya Development The Commercial Resort Real Estate Development Co.

Al-Tijaria Real Estate Development Company – Subsidiary Symphony Tower - Kingdom of Bahrain

Work is underway to complete the construction on Symphony Tower in the Kingdom of Bahrain. The project consists of 46 floors and 351 apartments, in addition to a variety of facilities, making it ideal for those wishing to enjoy the luxury of living and peace of mind at all times. Symphony Tower was awarded the Best Residential Tower Design award at the 2017 African and Arab Property Awards for its unique and distinctive design. Symphony Tower, built on an area of 3,856 square meters, is located in the downtown of Manama, the capital of the Kingdom of Bahrain, near the most famous commercial centers and prominent tourist attractions.

All apartments have a charming panoramic view of the sea, and are designed to give a feeling of happiness and luxury. The project provides four main options for customers to choose from, including studio units ranging in size from 39 to 48 square meters, one-bedroom units ranging in size from 70 to 91 square meters, and two-bedroom units ranging in size from 119 to 153 square meters, and the three-bedroom units have an area of 199 square meters. The project includes multiple facilities, including a business center, a café, children's games, a gym for women and another for men, a basketball court, a spa, swimming pools, a Jacuzzi and a small shop.



عالمشيا
boulevard

Salmiya Group Enterprise Development Company (Boulevard) - Subsidiary Boulevard

Boulevard project is located in the middle of the vibrant area of Salmiya, and extends over more than 353,529 square meters, making it easily accessible from various sides, mainly from the 5th Ring Road and the Arabian Gulf Street. Boulevard is one of the largest touristic hub in Kuwait, as it includes within its areas an amazing range of cultural, sports, and entertainment events and activities for all the family members.

Boulevard features a wide lake through its wide green park, in addition to other facilities, on top of which is Boulevard Complex, which includes a restaurants' village overlooking the lake in addition to a large number of outdoor playgrounds, including tennis, football, basketball and a huge cricket pitch with an amphitheater for the public, a fully equipped ladies' salon and spa in addition to a multi-purpose ballroom as well as 4 train stations and parking for 1,958 cars.

Governance Report:

Governance

Al-Tijaria is the pioneer company in applying governance standards "Corporate Governance" in the State of Kuwait. The Board of Directors has taken upon itself responsibility of adhering to the standards of governance that were announced at the Ordinary General Assembly for the fiscal year ending on 12/31/2011, through the application of best practices, and a package of policies, procedures and mechanisms. The company's eight-member Board of Directors has adopted the organizational structure and the governance guide that defines the responsibilities, powers and channels of communication between the different administrative levels, as well as regulating the relationship between each of the shareholders, the board of directors, the executive management and stakeholders.

Also, several committees were formed by the company's board of directors to follow up on implementation of the best practices. The governance guide clarified the formation, tasks, powers and responsibilities of these committees and their mechanism of work, as well as evaluating committees, executive management and the board of directors, determining shareholders' equity, setting ethical work charters and organizational policies for the company. The Board of Directors has set the system of financial, administrative and operational powers that defines the powers of the executive management, the committees emanating from the board, and the board of directors itself.

During 2022, Al-Tijaria committed to applying all governance standards in accordance with best practices, and submitted relevant reports to the regulatory authorities on the specified dates. The Governance Committee and the Board of Directors also supervised the implementation process through periodic reports submitted to the Committee and the Board. The Board did not detect any deviations on the approved policies and rules or supervisory instructions regarding governance applications.

Rule # 1 - Build a Balanced Board Structure

About the formation of the Board of Directors

The Board of Directors consists of eight members; their term of office is three years, based on the meeting of the Ordinary General Assembly held on April 11th, 2021. The Board of Directors is responsible to the general assembly of shareholders; and it is entrusted with the responsibility of protecting the interests of the company, developing its business, achieving its strategy, and devising the company's vision, mission, objectives and general strategy to achieve the shareholders' aspirations. The Board of Directors is committed to forming its committees within the framework of the requirements of the rules of governance, taking into account the diversity of expertise and specialized skills, which contributes to enhancing efficiency in decision-making. The majority of the company's board of directors consists of non-executive members, and the board includes independent members whose number does not exceed half of the board members, and this independence allows them to take decisions without being subjected to stress or obstacles.

#	Names	Members Classifications/ Secretary	Qualification & Practical Experience	Date of Election/ Appointment of the Secretary
1	Abdulfatah M R Marafie	Chairman of the Board (Non-executive)	Bachelor of Commerce (Administrative Sciences / Industrial Management) 44 years in the real estate, banking and investment sectors	11th April 2021
2	Adwan Mohammad AlAdwani	Vice Chairman of the Board (Non-executive)	Bachelor's degree in English Language and Literature 47 years in the real estate, banking and investment sectors	11th April 2021
3	Eng. Ibrahim M AlGhanim	Board Member (Non-executive)	Bachelor of Science in Marine Engineering 44 years in the real estate, hospitality, entertainment, services and oil sectors	11th April 2021
4	Hussain Abdullah Johar	Board Member (Non-executive)	Master of Business Administration and Bachelor of Commerce and Marketing 41 years in the real estate, hospitality, services, investment and development sectors	11th April 2021
5	Abdulaziz Al Hasawi	Board Member (Independent)	Bachelor of Business Administration 36 years in the real estate, tourism, hospitality and banking sectors	11th April 2021
6	Eng. Abdulmutaleb A M Marafie	Board Member (Executive)	Master of Business Administration Bachelor of Civil Engineering 23 years in real estate, business development, projects, tourism and hospitality	11th April 2021
7	Talal J Al Bahar	Board Member (Non-executive)	Bachelor of Business Administration 17 years in the real estate, investment and hospitality sectors	11th April 2021
8	Yousef Y AlAwadhi	Board Member (Non-executive)	Bachelor of Business Administration (Accounting) 17 years in the banking, investment, education and real estate sectors	11th April 2021
-	Iman Amin El Mokaddem	Secretary of Board of Directors	Bachelor of Business Administration 23 years in the field of office management, executive management secretarial and senior management	11th April 2021

Dates and attendance of the Board meetings 2022

The Board of Directors was formed on April 11th, 2021, and the Board held 7 meetings in 2022

#	Members, Positions & Classification	10th January	14th March	11th April	15th May	8th August	14th November	12 December	Attendees	Percentage
1	Abdulfatah M. R. Marafie Chairman of the Board (non-executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
2	Adwan Mohamad AL Adwani Vice Chairman of the Board (non-executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
3	Eng. Ebrahim Mohammad AlGhanim Board Member (non-executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
4	Hussain Abdulla Jowhar Board Member (non-executive)	✓	✓	✓	✓	✗	✓	✓	6	86%
5	Abdul Aziz Mubarak Al Hassawi Board Member (Independent)	✓	✓	✓	✓	✓	✓	✓	7	100%
6	Eng. Abdulmutaleb A Marafie Board Member (Executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
7	Talal Jassim Al Bahr Board Member (non-executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
8	Yousef Yagoub Al Awadhi Board Member (non-executive)	✓	✓	✓	✓	✗	✓	✓	6	86%
-	Iman Ameen El Mokaddem Secretary of Board of Directors	✓	✓	✓	✓	✓	✓	✓	7	100%

Coordination of board meetings, recording and keeping minutes of meetings

Ms. Iman Ameen El Mokaddem was re-appointed as Secretary of the Board of Directors from among the company's employees in her capacity as the Chairman Office Manager by decision issued by the Board of Directors No. 4/2021 on 11/4/2021, and her job duties were determined in line with the level of responsibilities assigned to her, which include the next:

1. Proper communication and distribution of information among members and other stakeholders, under the supervision of the Chairman.
2. Coordinating and preparing for the meetings of the Board of Directors, including the schedule, agenda, documents and others, and providing the members with them three working days prior to the date of the meeting, taking into account emergency meetings.
3. Writing down and keeping all minutes of council meetings, records, books, and reports submitted to and from the council.
4. Signing the minutes of the board meetings by the secretary and all the attending.



وزارة التجارة و الصناعة

Ministry of commerce and Industry



إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه عبد العزيز مبارك الحساوي
بطاقة مدنية (أو جواز سفر لغير المقيم) رقم
والمرشح كعضو مجلس إدارة مستقل لدى شركة

(التجارية العقارية)
بأنه تتوافر لدي الشروط التالية:

- 1- انني اتمتع بالاستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتها.
- 2- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الاسم: عبد العزيز مبارك الحساوي

التاريخ: ١٥/٣/٢٠٢٢

التوقيع:

Rule #2 - Proper identification of tasks and responsibilities

Duties and Responsibilities of the Board of Directors

The company's board of directors assumes all the powers and authorities necessary for management. The final responsibility of the company remains with the board even if it forms committees or delegates other entities or individuals to carry out some of its work. The board should avoid issuing general or indefinite mandates. This includes the following duties and responsibilities of the Board of Directors:

1. Adopt the important objectives, strategies, plans and policies of the company, provided that they include, as a minimum, the following:
 - The company's comprehensive strategy and main work plans, reviewing and directing them.
 - The optimal capital structure of the company and its financial objectives.
 - A clear policy for distributing profits of all kinds (cash / in kind) in a way that achieves the interests of shareholders and the company.
 - Setting objectives and monitoring performance and implementation.
 - Adopting the organizational and functional structures in the company and conducting periodic review of them.
2. Approving the annual estimated budgets and approving the interim and annual financial statements.
3. Overseeing the main capital expenditures of the company, and owning and disposing of assets.
4. Ensuring the company's compliance with the policies and procedures that ensure the company's respect for the applicable internal regulations and rules.
5. Ensuring the accuracy and integrity of data and information to be disclosed in accordance with the applicable disclosure and transparency policies and systems.
6. Providing effective communication channels that allow shareholders to be informed on a continuous and periodic basis of its various activities and fundamental developments.
7. Setting the system of governance and general supervision over it, monitoring its effectiveness and amending it when needed in accordance with best practices.
8. Follow up the performance of each member of the Board of Directors and the Executive Management according to the main performance indicators (KPIs).
9. Preparing an annual report to be read at the company's annual general assembly that includes the requirements and procedures for completing the corporate governance rules and the extent of compliance with them, provided that this report is included in the annual report prepared on the company's activities with a statement of the rules that have been adhered to and the rules that have not been adhered to with justifications of non-compliance, in accordance with governance requirements.
10. Forming specialized committees emanating from it in accordance with a charter that clarifies the committee's term, validity, responsibilities, and how the Board monitors them. The decision to form also includes naming members and defining their duties, rights and duties, as well as evaluating the performance and work of these committees and their key members.
11. Ensuring that the company's approved policies and regulations are transparent and clear in order to allow the decision-making process and achieve the principles of corporate governance and separating of powers and authorities between the Board of Directors and the Executive Management. Accordingly, the Board of Directors must:
 - Adopt the internal bylaws and regulations related to the company's business and its development and defining the tasks, competencies and responsibilities between the different organizational levels.
 - Adopt a policy of delegation and implementation of the work entrusted to the executive management.
12. Determining the powers that are delegated to the executive management, the decision-making procedures and the duration of the delegation. The Board also determines the issues that it retains the Supervisory Board to decide on, and the executive management submits periodic reports on its exercise of the delegated powers.

-
13. Monitoring and supervising the performance of the executive management and ensuring that they carry out all their duties. The Board shall do the following:
 - Ensure that the executive management operates in accordance with the policies and regulations approved by the Board of Directors.
 - Hold periodic meetings with the executive management to discuss the course of work and any obstacles and problems, and to present and discuss important information related to the company's activity.
 - Set performance standards for the executive management those are consistent with the company's goals and strategy.
 14. Determining the bonus segments that will be granted to employees, such as the fixed bonus segment, the performance-related bonus segment, long-term risks, and the bonus segment in the form of shares.
 15. Appointing or dismissing any of the members of the executive management, including the CEO or the like.
 16. Developing of a policy that regulates the relationship with stakeholders in order to preserve their rights.
 17. Establishing a mechanism to regulate transactions with related parties in order to reduce conflict of interests.
 18. Ensuring periodically the effectiveness and adequacy of the internal control systems in force in the company and its subsidiaries, including:
 - Ensuring the integrity of the financial and accounting systems and the systems related to the preparation of financial reports.
 - Ensuring the application of appropriate control systems to measure and manage risks, by identifying the factors and types of risks that the company may face, creating an environment familiar with the culture of risk reduction at the company level, and presenting it transparently with stakeholders and related parties.
 - Adopting the rules of conduct and work ethics and the company's work policies and procedures.
 - Recommending the appointment of independent auditors and the Shari'a Supervisory Board.
 19. Developing a plan/policy to include sustainability factors in the company's overall strategy, main business plans, and risk measurement and management process, if necessary.

Board of Directors Achievements

During the year 2022, the Board of Directors accomplished its tasks and responsibilities in accordance with the approved powers. Here is an overview of the most important achievements:

1. Follow up the implementation of the objectives in accordance with the approved strategies and plans of the company.
2. Reviewing and approving the annual report, the governance report, and the governance requirements fulfillment form.
3. Reviewing and approving the interim and annual financial statements.
4. Reviewing and approving the estimated budget and comparing it with the achieved interim results.
5. Reviewing and approving policies, procedures, plans and reports related to the company's business and activities.
6. Recommendation to the Ordinary General Assembly regarding the appointment / re-appointment or change of the external auditor.
7. Follow up on the decisions of the committees emanating from the Board of Directors and the recommendations issued by it, and follow up on their implementation.
8. Follow up the reports of the Internal Audit Department and ensure that the relevant committee takes corrective measures and follow up on implementation thereof.
9. Follow up the risk management reports and ensure that the competent committee takes corrective measures and follow up on their implementation.
10. Issuing a statement in the event of a conflict between the recommendations of the Audit and Risk Committee and the decisions of the Board of Directors and the reasons that led to the Board's decision not to comply with those recommendations, and that all recommendations issued by the Committee have been reviewed and approved by the Board of Directors.

Formation of Board Committees

The Board of Directors forms permanent and temporary committees, with the aim of distributing the tasks and activities of the Board of Directors among the Board members and the executive management, providing sufficient time for detailed deliberations of all aspects of the work, and supporting the Board to carry out some specific tasks on its behalf, and to submit periodic reports and recommendations.

Committee members are appointed by the board, and a sufficient number of non-executive board members are appointed to the relevant committees, in addition to independent members, in accordance with best practices and regulations in this regard. Each committee shall have its own charter that defines the purpose of the committee as well as the qualifications necessary for committee membership.

The formation of the committees of the board of directors shall be in accordance with general procedures set by the board of directors, which include determining the committee's mission, the duration of its work, the powers granted to it during this period, and how the board of directors monitors them with absolute transparency. The Board of Directors should follow up the work of the committees periodically to verify that they carry out the tasks entrusted to them, and the work charters of all the committees are approved by the Board.

Conditions to be met by Committee Members

- To have the appropriate capabilities and qualifications, sufficient experience and honesty to perform the tasks and responsibilities.
- To be Familiar with the financial, accounting and administrative rules for membership of the Audit and Risk Committee.
- To not have a direct or indirect interest in the business and contracts made for the company's account.
- The member of the committee shall abide by the obligations of the member of the board of directors to fully maintain the confidentiality of information and not to disclose the company's secrets.

Committee Membership

- The number of members of each committee shall not be less than three and not more than five.
- The term of the committee's membership shall be from one to three years, and it shall not exceed the remaining term of the membership of the Board of Directors.
- The Board of Directors appoints a replacement member if the position of one of the committee members becomes vacant.
- Each committee chooses from its members a chairperson at its first meeting or during the board of directors meeting. The committee's reporter/committee secretary is also chosen from among the company's employees.

Governance Committee

Formation requirements, objectives, tasks and responsibilities

The Governance Committee was formed by the Board of Directors. The members of the Committee consist of three members of the Board. The Committee meets at least twice annually. The Governance Committee aims to verify the preparation, follow-up and control of the application of governance principles, compliance with the instructions, regulations and laws issued by the various regulatory authorities in this regard, and the appropriateness the policies, regulations and procedures applied in the company for those instructions and taking corrective and preventive measures and steps when necessary.

1. Reviewing, amending and initially approving the governance guide and its consistency with the requirements received from the Capital Markets Authority and other regulatory authorities before submitting it to the Board of Directors for final approval.
2. Monitoring and supervising the implementation of the principles and frameworks of governance that have been approved by the Board of Directors in accordance with the Governance Guide.
3. Permanent and continuous review of the decisions, laws and instructions issued by the supervisory authorities regarding the rules and practices of governance and submitting recommendations to the Board of Directors regarding the changes it deems necessary in order to develop and implement the best standards and practices.
4. Supervising the preparation of the corporate governance report and the annual report and their approval by the Board of Directors.
5. Supervising the preparation of the social responsibility plan, approving it by the Board of Directors, and following up on implementation thereof.
6. Informing the Board of Directors of the latest developments, decisions and laws issued by the various regulatory authorities.
7. Reviewing the report of the cases filed by and against the company, verifying their causes and the current situation, and making recommendations thereon.
8. Submitting recommendations to the Board of Directors for review, information, and final approval.
9. Carrying out any other responsibilities entrusted to the Committee by the Board of Directors in accordance with the approved system of powers.

During the year 2022, the committee carried out its tasks and responsibilities in accordance with the terms of reference.

Dates and Attendance of The Governance Committee

The Governance Committee was formed on April 11, 2021, the Committee held 2 meetings on 2022

#	Members' names and positions	1-2022 13th March	2-2022 11th December	Attendees	Percentage
1	Abdulfatah M. R. Marafie - President (Non-Executive)	✓	✓	2	100%
2	Hussain Abdullah Gohar - Vice President (Non-Executive)	✓	✓	2	100%
3	Adwan Mohammad Al-Adwani - Member (Non-Executive)	✓	✓	2	100%
4	Yousef Yaqoub Al-Awadi - Member (Non-Executive)	✓	✓	2	100%
-	Iman Ameen El Mokaddem - Secretary of the Committee	✓	✓	2	100%

Governance Committee Achievements

The committee submits all its recommendations to the Board of Directors. Its achievements include the following:

1. Social responsibility plan.
2. Governance report and annual report.
3. Monitor compliance with governance requirements.
4. Providing the members of the Board of Directors and the executive management with all the company's disclosures.

Audit and Risk Committee

Formation requirements, objectives, tasks, responsibilities, Authorities and achievements

The Board of Directors has fulfilled the requirements for the formation of the Audit and Risk Committee, whose members consist of three members and its chairman is a non-executive member of the Board, and includes an independent member. The committee meets at least four times annually. It aims to assist the board of directors to carry out its responsibilities to verify compliance with auditing standards and the effective application of the company's various policies. Moreover, it identifies weaknesses and takes corrective action as necessary. Furthermore, it works on managing the risks that the company may be exposed to, setting the necessary controls to reduce them, determining the risk appetite of the company and the acceptable ratios thereof in exchange for the expected benefits, and submitting relevant recommendations to the Board of Directors.

1. Reviewing the interim and annual financial statements and report of the external auditor and initially approving before submitting to the Board for final approval, in order to ensure fairness and transparency of the financial reports.
2. Ensuring the adequacy and comprehensiveness of the scope of the external audit, ensuring the independence of the company's external auditor, limiting the factors that may weaken its independence, and confirm the coordination between tasks of the external auditors.
3. Studying the external auditors' observations on the company's financial statements and following up on action taken.
4. Studying the company's accounting principles and policies and examining any changes that may affect the company's financial position, while identifying the reasons for these changes.
5. Reviewing and approving the annual internal audit plan.
6. Supervising the internal audit task and reviewing and approving the scope and frequency of the audit task.
7. Reviewing the internal audit reports of the company's various departments, discussing the observations, taking corrective decisions, determining the persons responsible for their implementation, and the expected timeframe for implementation.
8. Following up on the implementation of the agreed upon corrective measures according to a specific time schedule.
9. Reviewing the reports of the supervisory authorities and ensure that the necessary measures have been taken in this regard.
10. Reviewing the reports of the Shari'a Supervisory Board before submitting them to the Board of Directors for approval.
11. Reviewing and initial approval of the policies and procedures manuals for the Internal Audit Department.
12. Ensuring the company's compliance with the relevant laws and instructions.
13. Recommending the appointment, transfer and termination of the Director of Internal Audit and evaluate his performance and the performance of the Internal Audit Department.
14. Recommending the Board of Directors to appoint, reappoint or change the external auditors and determine their fees.
15. Reviewing deals and transactions with related parties and providing appropriate recommendations thereon to the Board of Directors.
16. Holding periodic meetings with the external auditor at least four times annually, as well as when needed at the request of the committee.
17. Holding periodic meetings with the internal auditor at least four times annually, as well as when needed at the request of the committee.

18. Studying and submitting of recommendations to the Board regarding ensuring periodically the effectiveness and adequacy of the internal control systems applied in the company and its subsidiaries, including:
 - Nominating an accredited body to the Board to appoint an auditing office to prepare the internal control report (ICR) annually.
 - Nominating of an accredited body to the Board to appoint an auditing office approved by the Supervisory authority to prepare a Quality Assurance Report (QAR) every three years.
 - Ensuring the integrity of the financial and accounting systems and the systems related to the preparation of financial reports.
 - Ensuring the application of appropriate control systems to measure and manage risks, by identifying the factors and types of risks that the company may face, creating an environment familiar with the culture of risk reduction at the company level, and presenting it transparently with stakeholders and related parties.
 - Recommending the appointment of independent auditors.
19. Ensuring the availability of adequate resources and systems for risk management, reviewing the organizational structure for risk management and making recommendations thereon before being approved by the Board of Directors, verifying that the management staff have a full understanding of the risks surrounding the company, and ensuring the independence of risk staff from operational activities.
20. Assisting the Board in identifying and evaluating the level of risks acceptable to the company and evaluating the systems and mechanisms for identifying, measuring and following up on the different types of risks that the company may be exposed to.
21. Reviewing the company's risk assessment reports and the measures taken to reduce or manage risks within the acceptable and approved risk ratios of the company in exchange for the expected benefits.
22. Reviewing risk management strategies and policies before being approved by the Board of Directors, and ensuring that they are consistent with the company's activities.
23. Reviewing the adequacy and effectiveness of the company's internal control systems, including strategies, policies and procedures related to sound practices for managing and controlling various risks, and verifying the implementation of those policies and strategies.
24. Reviewing the remarks raised by the Audit and Risk Committee that may affect the company's risk management.
25. Reviewing and initial approval of the policies and procedures manuals for risk management.
26. Submitting recommendations to the Board of Directors for review, information, and final approval.
27. Carrying out any other responsibilities entrusted to the Committee by the Board of Directors in accordance with the approved system of powers.

During the year 2022, the committee carried out its tasks and responsibilities according to its authorities.

Dates and attendance of the Audit and Risk Committee meetings 2022

The Audit and Risk Committee was formed on April 11th, 2021, and held 7 meetings in 2022

#	Members	1-22 9th January	2-22 13th March	3-22 15th May	4-2022 7th August	5-22 13th November	6-22 14th November	7-22 13th December	Attendees	Percentage
1	Eng. Ebrahim Mohammad G President (non-executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
2	Adwan Mohamad Al Adwani Vice President (non-executive)	✓	✓	✓	✓	✓	✓	✓	7	100%
3	Abdul Aziz Mubarak Al Hassawi Member (Independent)	✓	✓	✓	✓	✓	✓	✗	6	86%
4	Yousef Yagoub Al Awadhi Member (non-executive)	✓	✓	✗	✗	✓	✓	✓	5	71%
*	Hosam Samir Habib Rapporteur *	-	-	-	✓	✓	✓	✓	7	100%
-	Rawan Jalal Sabaah Secretary	✓	✓	✓	✓	✓	✓	✓	7	100%

* The committee's rapporteur was changed during the year, noting that the previous rapporteur, Mr. Mansour Muhsen Kamal, attended the first, second, and third meetings.

Achievements of the Audit and Risk Committee

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

1. The interim and annual financial statements according to the committee meetings in the presence of the external auditor.
2. The internal audit plan.
3. Internal audit reports and corrective action and follow-up.
4. Risk management plan, risk assessment reports, and risk operations record.
5. Appointment/reappointment or change of the external auditor.
6. Appointing/reappointing an audit office to prepare an annual report on internal control systems (ICR).
7. Appointing an audit office to prepare a QAR report on the quality of internal audit work every three years.
8. The annual evaluation of the auditor, risk management, management and internal audit director.
9. Other control matters such as information security, auditing information technology and recommending the appointment of ISO consulting services.

Remuneration and Nominations Committee

Formation requirements, objectives, tasks, responsibilities, powers and achievements

The Board of Directors of the company has fulfilled the requirements for forming the Remuneration and Nomination Committee, which consists of four members and its chairman is a non-executive board member and includes an independent member. The committee meets at least twice annually and aims to assist the Board of Directors to carry out its responsibilities and supervisory duties to ensure the nomination of the necessary competencies for membership of the Board of Directors and executive and administrative positions in the company, verifying that it is carried out in accordance with an institutional framework that is characterized by efficiency and complete transparency and is mainly in the interest of the company and then achieves the goals of the shareholders, in addition to the supervisory tasks to ensure the soundness and correctness of the policy of calculating bonuses and allocations followed by the company for members of the Board of Directors and executive management and verifying that they are fair and contribute mainly to attracting human cadres with professional competence and high technical capabilities, as well as establishing the principle of belonging to the company according to the following powers:

1. Recommending the acceptance of the nomination and re-nomination of the members of the Board of Directors and the Executive Management.
2. Establishing a clear policy for the remuneration of members of the Board of Directors and the executive management, with an annual review of the required needs of the appropriate skills for membership of the Board of Directors.
3. Gathering of applications for those wishing to occupy executive positions as needed, study and review such applications.
4. Determining the different bonus segments that will be granted to employees, such as the fixed bonus segment, the performance bonus segment, the bonus segment in the form of shares, and the end-of-service bonus segment in the company and subsidiaries thereof.
5. Developing, reviewing and approving job descriptions for executive members, non-executive members and independent members.
6. Preparing a detailed annual report on all remunerations granted to members of the Board and the Executive Management, whether they are amounts, benefits or advantages, of whatever nature and name, provided that this report is presented to the company's general assembly for approval and is read by the Chairman of the Board. The company must follow standards of accuracy and transparency when preparing the report on remuneration, so that all bonuses granted, whether directly or indirectly, are disclosed, and any attempt to conceal or mislead is avoided, provided that the report includes:
 - The system of rewards and incentives followed by the company, in particular what is related to the members of the Board of Directors and the Executive Management.
 - Detailing the remuneration granted to the members of the Board of Directors and the executive management in terms of amounts, benefits and advantages, and an analysis of the remuneration segments.
 - The values of the remunerations granted to the CEO and executive management who received the highest amounts from the company, to which the financial manager or his representative should be added if he is not among them.
 - Any other rewards granted directly or indirectly by the company or its subsidiaries.
 - Any material deviations from the remuneration policy approved by the Board of Directors.
7. Follow-up and review to ensure that the independent board member still has the aspect of independence.
8. Supervising and approving the contract regarding the professional responsibility of the members of the Board.
9. Supervising, approving and implementing performance measurement policies and standards.
10. Supervising and approving the training plan for all company employees and monitoring implementation thereof.
11. Supervising and approving the annual employment plan in accordance with the needs of the company and the recommendations of the executive management.
12. Supervising and approving the company's job grading and salary structure.
13. Supervising and approving a plan for the rotation and replacement of executive positions.
14. Submitting recommendations to the Board of Directors for review, information, and final approval.
15. Carrying out any other responsibilities entrusted to the Committee by the Board of Directors in accordance with the approved system of powers.

Dates & Attendance of the Remuneration and Nominations Committee 2022

Remuneration and Nomination Committee was formed on April 11, 2021
The Committee held 2 meetings in 2022

#	Members	1-2022 10th March	2-2022 12th December	Attendee	
1	Talal Jassim Al-Bahr - President (Non-Executive)	✓	✓	2	100%
2	Adwan Mohammed Al-Adwani - Vice President (Non-Executive)	✓	✓	2	100%
3	Abdul Aziz Mubarak Al-Hasawi - Member (Independent)	✓	✓	2	100%
-	Nadyah A Haraish - Rapporteur of the Committee	-	✓	2	100%
-	Fayrouz Mahmoud Chahine - Secretary of the Committee	✓	✓	2	100%

*The committee's rapporteur was changed during the year, noting that the previous rapporteur, Mr. Ahmed Al-Qalshi, attended the first meeting.

Achievements of the Remuneration and Nominations Committee

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

1. Professional liability insurance for members of the Board of Directors and the Executive Management.
2. Policies and procedures related to the committee's tasks.
3. The training plan, the employment plan, and the job replacement plan.
4. The remuneration of members of the Board of Directors and the allowance for attending committee meetings.
5. The remuneration of the executive management and employees of the company and its subsidiaries.
6. Annual report on all remunerations granted to members of the Board of Directors and executive management, and those granted to CEOs who received the highest amounts from the company.

Board members obtaining of accurate and timely information and data

The company follows an accurate system for submitting reports and information at all administrative levels, whether at the level of the executive management, committees or the board of directors. It includes many types of weekly, monthly and quarterly reports in addition to reports of an immediate nature that are linked to urgent information and require immediate decisions. For this purpose, the company has developed several requirements for the reporting system:

- Briefness, accuracy, and materiality in the presentation of information so that the information and data presented in the report are of a large degree of comprehensiveness and consistency, and be characterized by brevity and accuracy, and be material and important information that facilitates the decision-making process.
- Presentation of reports periodically, where the report is updated with the latest information and developments, and is prepared according to specific and sequential time frames and is to be submitted at the appropriate time (three days before the meeting, with the exception of emergency meetings) to ensure that sufficient time is provided to review the information.
- The infrastructure of the business IT systems, in particular the reporting systems, has been developed to ensure that all reports are prepared with a high degree of quality and accuracy, and are submitted to the board members in a timely manner.

Rule # 3 - Choosing qualified persons for membership of the Board of Directors

Summary of the rewards and incentives policy granted to members of the Board of Directors, executive management and managers

The Board of Directors has established a clear policy for the remuneration of the members of the Board of Directors and the executive management, with an annual review of the requirements required for the appropriate skills for membership of the Board of Directors, as well as attracting applications for those wishing to occupy executive positions as needed, studying and reviewing those applications, and determining the different segments of the rewards that will be granted to employees, such as fixed bonuses, performance-related bonuses, stock bonuses, and end-of-service remuneration.

The company grants its employees annual bonuses in the event that the company achieves the desired profits and goals during the year, taking into account the following:

1. This remuneration is not binding on the company, but is subject to the annual study and the company's achievement of its objectives and approval by the company's board of directors.
2. The remuneration amount is determined and approved by the company's Board of Directors based on the recommendation of the Remuneration and Nominations Committee.
3. The Remuneration and Nominations Committee shall submit a proposal to remunerate the members of the Board, subject to the initial approval by the Board and final approval by the Company's General Assembly.
4. The annual bonus proposal is prepared by the Human Resources Department based on the specific allocations and evaluation of the company's employees.
5. The remuneration proposal is studied by the Remuneration and Nomination Committee.
6. The bonus is calculated according to a fixed criterion for calculating the bonus; whether it is a specific amount for each job level - a percentage of the salary - the salary multiplier - etc...
7. A fixed percentage of salary - specific amount for each job level - salary multiplier - etc... is specified as an additional bonus for outstanding work.
8. The date for paying the remuneration, if approved, is determined by the top management.
9. Determining the value of the remuneration depends on the percentage of the employee's appraisal so that the employee who has received a rating (poor / acceptable) as a result of his average performance for the year is not entitled to any remuneration.

Performance Appraisal Procedures:

- Employees are appraised by department heads (direct manager), provided that they are approved by each of the department managers, the group chief executive, and the chief executive for administrative and legal affairs.
- Heads of departments are appraised by department managers, provided that they are approved by both the Group CEO, and the CEO for Administrative and Legal Affairs.
- Department Managers are appraised by the group CEOs or the chief executive officer, according to their affiliation with the organizational structure.
- The performance of the CEOs is evaluated by the Chairman of the Board.
- A summary of the appraisal results shall be submitted to the management committee to study the submitted appraisal and set the committee's appraisal of the employee.
- The appraisal results are submitted to the Remuneration and Nominations Committee for review and approval.

Remunerations and benefits of the Board of Directors and the Executive Management for the fiscal year ending 31/12/2022

Rewards and benefits for members of the Board of Directors* for the fiscal year ending on 31/12/2022 (Kuwaiti Dinars)																
Rewards and benefits through the mother Company																
Total number of the members	Fixed Rewards and benefits			Variant Rewards and benefits			Fixed Rewards and benefits						Variant Rewards and benefits			
	Health Insurance	Life Insurance	Professional Liability Insurance	Annual Reward	Board Members Remunerations	Committees Reward	Monthly Salary (total in 2022)	Health Insurance	Life Insurance	Professional Liability Insurance	Board Members Remunerations	Board Members Reward	Committees Reward	Board Members Remunerations	Board Members Reward	Committees Reward
21	-	-	3,169	-	104,000	24,000	-	-	-	5,149	16,000	-	-	-	-	-

Total remunerations and benefits granted to five senior executives who received the highest remunerations, in addition to the Chief Executive Officer and the Finance Manager or whoever replaces them if they are not among them* for the fiscal year ending on 31/12/2022 (Kuwaiti Dinars)															
Rewards and benefits through the mother Company															
The total number of executive positions	Fixed Rewards and benefits			Fixed Rewards and benefits			Fixed Rewards and benefits						Variant Rewards and benefits		
	Monthly Salaries (Total in 2022)	Annual Leave (Total in 2022)	End of Service Indemnity	Health Insurance	Life Insurance	Professional Liability Insurance	Monthly Salaries (Total in 2022)	Annual Leave (Total in 2022)	End of Service Indemnity	Health Insurance	Life Insurance	Professional Liability Insurance	Car Allowance	Annual Reward	Variant Rewards and benefits
10	246,780	43,338	12,956	1,575	1,865	5,941	399,931	70,378	70,739	1,027	1,975	1,584	8,777	92,600	300,000

*All details, segments, and types of rewards and benefits granted by Al- Tijaria Real Estate Company and its subsidiaries during the year 2022 have been added. The company did not record any material deviations from the remuneration policy approved by the Board of Directors.

Rule# 4 - Ensure the Integrity of Financial Reports**Acknowledgment and pledge (safety and integrity of financial statements)
For the fiscal year ending on 31/12/2022**

The Chairman and members of the Board of Directors of the Commercial Real Estate Company (Al- Tijaria) acknowledge and undertake the safety and integrity of the financial statements that have been provided to the external auditor, and that the company's financial reports have been presented in a sound and fair manner, in accordance with the International Accounting Standards applied in the State of Kuwait and approved by the CMA, and that they express the company's financial position As on December 31, 2022, based on the information and reports received from us by the executive management and the auditors, and by doing so the accounts, and doing due diligence to verify the integrity and accuracy of these reports.

Member's Name	Position	Signature
Abdulfatah M R Marafie	Chairman	
Adwan Mohammad AlAdwani	Vice Chairman	
Ibrahim M AlGhanim	Board of Directors	
Hussain Abdullah Johar	Board of Directors	
Abdulaziz Al Hasawi	Board of Directors	
Abdulmutaleb A M Marafie	Board of Directors	
Talal J Al Bahar	Board of Directors	
Yousef Y AlAwadhi	Board of Directors	

**Acknowledgment of the Executive Management of safety and integrity of financial statements
For the fiscal year ending on 31/12/2022**

We, the undersigned, acknowledge and undertake the safety and integrity of the financial reports for the Commercial Real Estate Company, which cover all financial aspects of data and operational results as come to our knowledge, which is prepared in accordance with International Accounting Standards. The important accounting policies express fairly in all material respects on financial position of the company as of December 31, 2021, and its financial performance and consolidated cash flow including:

- Consolidated statement of financial position.
- Consolidated income statement.
- Consolidated statement of comprehensive income.
- Consolidated statement of changes in equity.
- Consolidated statement of cash flows.
- The explanatory notes to the consolidated financial statements.

Abdulmutaleb A Marafie
CEO & Board Member

Fouad Hassan Zaarour
Accounting Manager

Walid Yousef Wizani
Finance & Strategic Planning Department
Manager



**Annual Report of the Annual Audit Committee
For the fiscal year ending on 31/12/2022**

Dear Shareholders,

On my own behalf and on behalf of the Committee members, I am pleased to present to you the report of the Audit Committee for the financial year ending on December 31, 2022.

The Committee performed its role and work, and no violations were detected by the relevant regulatory authorities, and therefore no penalties (financial or non-financial) were imposed on the company in this regard.

The Audit and Risk Committee also confirms that all recommendations of the committee submitted to the Board of Directors of the company during the fiscal year ending on December 31st, 2022 and until the date of preparing this report have been approved, and the committee did not detect any conflict between its recommendations and the decisions of the Board of Directors in this regard.

Kind Regards,



Ibrahim Mohammed Al-Ghanim
President of the Committee.

Independence and Impartiality of the External Auditor

The company is committed to complying with the instructions and regulations related to the appointment of the company's auditor, taking into account the following:

1. Nominating the auditor based on a recommendation from the Audit and Risk Committee submitted to the Board of Directors.
2. Choosing the auditors registered in the special register with the Supervisory Board, fulfilling all the conditions stipulated in the requirements of the Supervisory Board's decision in this regard.
3. Ensuring the independence of the external auditor from the company and its board of directors, and not carrying out additional work for the company, except for auditing and auditing, to ensure that impartiality and independence.
4. Inviting the auditor to attend the meetings of the Audit and Risk Committee to discuss his views on the interim and annual financial statements with its members so that his comments, if any, along with the committee's recommendations are submitted to the Board of Directors to take a decision thereupon.
5. The external auditor was able to attend the meetings of the general assemblies and read the report prepared by him to the shareholders, explaining any obstacles or interferences he faced from the Board of Directors during the performance of his work, and the external auditor must inform the Supervisory Board of any fundamental violations or obstacles and their details.

Rule #5 - Establishing proper systems for risk management and internal control

Duties and Responsibilities of the Risk Management Unit

Al Tijaria Real Estate Company is keen on risk management as an essential aspect of the company's strategic management. The company manages risks according to the philosophy of "risk management is everyone's responsibility". Therefore, the company was keen to adopt a set of policies and procedures organized to confront the risks associated with its activities in order to achieve a balance between risk tolerance and expected return from each activity separately and then all the company's activities in general.

In continuation to the implementation of the conservative risk management policies in the company during the previous years, the company has been keen to develop risk management policies and strategies and to diversify its investments in terms of sectors and their geographical distribution. This is to ensure diversification and reduce exposure to market and concentration risks. In addition to adopting different methods to deal with the types of surrounding risks that the company's business may be exposed to by transferring risks, sharing risks, rejecting risks or accepting controllable risks and setting mitigation plans and reducing them in accordance with the objectives, returns and cost-effective criteria for the risk management process.

This also includes appointing a specialized consulting office to carry out risk management task. The company has worked to integrate the culture and tendency of risk management within the work environment in the company through an effective policy and defining responsibilities within the company for each manager and employee to make the concept and tasks of risk management part of his job description. This leads to the responsibility and effectiveness of work between all functional levels, groups and departments of the company. The Audit and Risk Committee also follows up on the reports submitted by the entity designated to carry out risk management operations, in terms of identifying, measuring, analyzing and treating the risks associated with the company's activities. This is to ensure that the necessary and effective corrective measures are taken to manage these risks to reduce their impact and place them within the acceptable range of the company.

The committee also submits its periodic reports to the board of directors to ensure that the board is informed of the types of risks that the company may be exposed to and the measures taken to achieve the required goals in light of acceptable levels of risks. Below we list the types of potential risks and threats that the company may be exposed to according to the nature of its business and some of the precautionary measures taken by the company to ensure facing these risks and preventing their occurrence or limiting their effects. Note that these threats do not necessarily exist, but there is a possibility of their emergence if the necessary measures are not taken to confront them.

Types of risks that may roadblock the company path

Strategic Risk	<p>This type of risk focuses on strategic risks and business efficiency, which are risks related to the implementation of the company's general 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 possibility of not adopting and implementing a clear and defined strategy. • The possibility of not providing the financial, technical and human resources necessary to manage the company's business and supervisory functions. 	<p>A comparison of the asset allocation strategy related to the sectoral and geographical classification and distribution of the company's assets and investments during the year 2022 was presented.</p> <p>The strategy is reviewed and approved when needed to conduct the required diversification of the company's assets and investments in accordance with changes and market, economic and political factors.</p> <p>The estimated budget for the next five years has also been prepared to ensure the availability of financial resources as well as employment plans and to update the company's organizational structure.</p> <p>Advanced systems in information technology are also being developed and applied to ensure the efficiency in business flow.</p>
Operating Risks	<p>This type of risk focuses on all types of operational risks, which include inadequacy of internal control systems, technological risks, risks of inefficiency and/or effectiveness of processes and procedures in achieving the company's general objectives, and human error and failure of programs and inadequacy and efficiency of procedures and controls contribute to this. We list below some examples of operational risks:</p> <ul style="list-style-type: none"> • Possible deficiency in operational processes and internal controls of information systems and accounting records. • The possibility of insufficient planning in information systems to face emergency calamities. 	<p>Manuals of operational policies and procedures have been developed, as well as internal audit and control systems for operational processes and administrative systems, as well as the application of technical systems necessary for the implementation and follow-up of operations, with the development of control mechanisms and the structure of powers over those systems and work to develop them on an ongoing basis.</p> <p>Backups and protection measures are also being made to ensure data availability and systems continuity in work, as well as remote work techniques and procedures.</p>
Financial Risks	<p>This type of risk focuses on the various financial risks that the company may face, which are the risks of ineffective management and financial control in the company and the impact of external factors such as the ability to obtain credit facilities, currency exchange rate fluctuations, change in interest rates, and other market factors.</p> <p>Below are some examples of finance risks:</p> <ul style="list-style-type: none"> • The possibility of not adopting prudent and appropriate policies for financial management. • The possibility of not making the necessary matching between what is planned according to the estimated budgets and the actual reality to measure achievement rates and deviation. • The possibility of investing in high-risk sectors, fields and countries without taking into account taking the necessary steps to protect the company from the risks that it may be exposed to from those operations. 	<p>Financial risks are managed through a set of procedures and systems, which include setting estimated budgets at the level of departments, groups and the company as a whole, in addition to effective follow-up and control over the management of financial flows and making periodic comparisons between what is planned within the estimated budget compared to the actual reality to identify deviations and work to correct them to ensure efficient running of operations.</p> <p>Also, periodic reports are submitted to the Board of Directors to monitor the financial performance and compliance with the plans set at the level of operation and investment.</p>

<p>Governance and Compliance Risks</p>	<p>This type of risk focuses on the risks of non-compliance with the laws, regulations and decisions issued by the regulatory authorities, as well as the company's internal policies and procedures, which are the risks of the company's operations not complying with the applicable laws and regulations.</p> <p>Below are some examples of compliance risks:</p> <ul style="list-style-type: none"> • The possibility of weak professional culture and experience in supporting and guiding workers to abide by laws and instructions. • The possibility of weakness of internal compliance systems and training programs. • The possibility of not activating the role of the legal department and legal consultation. 	<p>An independent unit for compliance was established by the Board of Directors within the organizational structure of the company, directly reporting to the Audit and Risk Committee, emanating from the Board of Directors. Periodic reports on the company's position.</p> <p>Specialized consulting company was appointed for risk management where its responsibilities include compliance risk assessments and updates to the Board of directors.</p> <p>The company has also prepared a comprehensive guide that includes all instructions, procedures and policies for the application of governance standards, and it has been circulated to the relevant company's employees to ensure efficient application and compliance.</p> <p>Training plans approved by the Board of Directors have been developed to ensure that all employees are familiarized with the requirements to comply with laws and instructions and how to implement them.</p> <p>The company's contracts are subject to legal review by the company's legal advisor, in addition to contracting with specialized law firms to seek help when needed.</p> <p>The company's contracts are subject to legal review by the company's legal advisor, in addition to contracting with specialized law firms to seek help when needed.</p>
<p>Information risks associated with decision-making</p>	<p>This type of risk focuses on those associated with the inaccuracy and inadequacy of the information used to support strategic, financial and operational decisions.</p> <p>These risks are related to the usability and timeliness of the information, whether it was obtained or summarized by applications to the software used, and the extent to which the information needs are understood.</p>	<p>An integrated system has been developed for the process of reporting and exchanging information between the different administrative levels to ensure the accuracy and integrity of information and the timeliness of information submission on the one hand, in addition to maintaining the confidentiality of information on the other hand, so that information is circulated to authorized persons only.</p> <p>Emphasizing the importance of information security, a specialized advisory body was appointed to establish the information security function in the company.</p> <p>Many review points have also been established and policies and procedures approved to increase the emphasis on the accuracy of the information submitted to the senior management and the board of directors, which are used in directing operations and decision-making.</p>
<p>Reputation Risk</p>	<p>These are the risks associated with activities that may take place or be carried out in contravention of accepted and recognized standards, which may tarnish the company's reputation in the market in which it operates.</p>	<p>A clear policy has been developed for the code of ethics to ensure that the company's employees adhere to the ethics and principles of Islamic Sharia in line with the company's directions. Also, all the company's transactions are subject to the approval of the Sharia Supervisory Board to ensure the preservation of the company's reputation and its commitment to the principles of Islamic Sharia.</p>

Internal supervisory and control systems

The company adopts a set of internal control systems to ensure and maintain the level of performance and control the operational and financial operations that cover all the activities and departments of the company, and that is through the adoption of a set of policies, procedures, organizational structures and regulations, including (separation of duties - examination and double control and performance follow-up reports).

The Board of Directors monitors the internal control systems through periodic reports issued by the committees and departments. The Board of Directors periodically ensures the impartiality and efficiency of the oversight departments and their independence that allows them to carry out their work accurately and efficiently. It also ensures that the human cadres necessary to carry out the work are provided, which are characterized by experience and efficiency. In the event of any observations by any of the company's supervisory committees or departments, the Board shall immediately take corrective measures through the following channels:

- Fatwa and Shari'a Supervisory Board (annual report)
- Internal Control Report (annual Report)
- Quality Assurance Report (report every three years)
- Audit and Risk Committee
- Independent departments (Internal Audit Department - Risk Unit)

Duties and Responsibilities of the Internal Audit Department

Al-Tijaria, relies on an independent department created for internal audit functions. The Board of Directors verifies that the internal audit and control is a permanent process that covers all the activities and works of the company without excluding any department, unit or department of the company's departments according to the approved plan. The Internal Audit Department prepares regular and periodic reports on the results of the risk-based audit according to the approved plan, and verifies that the internal control processes and controls have been formulated by the management and are implemented to reduce the impact and likelihood of risks. Then the Audit and Risk Committee reviews the results of the internal audit reports, and follows up on taking the necessary corrective actions regarding the observations contained in the reports.

Audit and risk committee report

The Audit and Risk Committee acknowledges that there is no conflict between the recommendations of the Audit and Risk Committee and the decisions of the Board of Directors and that all the recommendations issued by the Committee have been reviewed and approved by the Board of Directors, and the company's obligation to issue a statement in the event of a conflict between the recommendations of the Committee and the decisions of the Board of Directors and the reasons that led to the decision The Board did not adhere to these recommendations.

Internal Control Systems Report 2022



Geneva Group International
INDEPENDENT MEMBER
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خطاب الرأي

السادة/ أعضاء مجلس الإدارة المحترمين

الشركة التجارية العقارية ش.م.ك.ع

دولة الكويت

تحية طيبة وبعد،

الموضوع: تقرير حول السجلات المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية عن السنة المنتهية في 31 ديسمبر 2022

بناء على خطابكم الخاص بتكليفنا بفحص سجلاتكم المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية لشركة التجارة العقارية ش.م.ك.ع عن السنة المالية المنتهية في 31 ديسمبر 2022 فقد قمنا بفحص وتقييم نظم الرقابة الداخلية للشركة وقد تضمن الفحص الإدارات التالية:

- إدارة المشاريع وضبط المشاريع
- إدارة المرافق
- إدارة المحاسبة
- الإدارة المالية
- إدارة تقنية المعلومات
- إدارة العقار
- إدارة الاستئجار
- إدارة الموارد البشرية والشؤون الإدارية
- إدارة التسويق والاتصال
- إدارة التدقيق الداخلي
- إدارة الشؤون القانونية
- وحدة المخاطر
- وحدة الالتزام
- قسم شئون المساهمين

لقد قمنا بأعمالنا وفقاً لمتطلبات الكتاب الخامس عشر "حوكمة الشركات" من اللائحة التنفيذية لقانون هيئة أسواق المال والمعايير الدولية المحددة في إطار الرقابة الداخلية.

وبصفتكم أعضاء مجلس إدارة الشركة فإنكم مسؤولون عن إرساء نظم الرقابة الداخلية مع الأخذ في الاعتبار المنافع المتوقعة والتكاليف المتعلقة بتأسيس تلك الأنظمة والالتزام بمتطلبات هيئة أسواق المال المذكورة في الفقرة أعلاه. إن الهدف من التقرير هو إعطاء تأكيدات معقولة وليست قاطعة عن مدى انسيابية الإجراءات والأنظمة المتبعة بغرض حماية الموجودات ضد أية خسائر ناتجة عن أي استخدام أو تصرف غير مصرح به، وأن المخاطر الرئيسية يتم مراقبتها وتقييمها بشكل ملائم، وأن المعاملات يتم تنفيذها طبقاً لإجراءات التفويض المقررة وأنه يتم تسجيلها بشكل صحيح، وذلك لتمكينكم من القيام بأعمالكم بشكل سليم. ونظراً لنواحي التصور في أي نظام من أنظمة الرقابة الداخلية، فإنه قد تحدث أخطاء أو مخالفات ولا يتم اكتشافها. إضافة إلى ذلك فإن توقع التقييم للأنظمة على الفترات المستقبلية يخضع لخطر أن تصبح معلومات الإدارة وإجراءات الرقابة غير ملائمة بسبب التغييرات في الظروف، أو أن تقل درجة الالتزام بتلك الإجراءات.

برأينا، وفيما يتعلق بطبيعة وحجم الأعمال خلال السنة المنتهية 31 ديسمبر 2022 فإن السجلات المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية التي تم فحصها من قبلنا، قد تم إعدادها والاحتفاظ بها وفقاً لتعليمات هيئة أسواق المال باستثناء الأمور المبينة في الملحق الثالث في هذا التقرير.

خالد حسن الأحمد - CPA

سجل مراقبي الحسابات رقم 173 - أ الكويت

السور محاسبون قانونيون

عضو مستقل في جي جي أي - سويسرا



الكويت في 2 مارس 2023



Dar Al-Reqabah
for Islamic Consultations

بسم الله الرحمن الرحيم

تقرير الهيئة الشرعية

خلال الفترة من ٢٠٢٢/٠١/٠١ م إلى ٢٠٢٢/١٢/٣١ م

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

المحترمون

السادة/ مساهمي الشركة التجارية العقارية

السلام عليكم ورحمة الله وبركاته.

وفقاً لعقد الارتباط الموقع مع مكتب دار الرقابة للاستشارات الشرعية، قمنا بتدقيق العقود والمعاملات التي نفذتها الشركة خلال السنة المالية المنتهية في ٢٠٢٢/١٢/٣١ م، لإبداء الرأي في مدى التزام الشركة بأحكام الشريعة الإسلامية، كما تم بيانها في الآراء والإرشادات والقرارات الشرعية التي تم إصدارها من قبلنا.

تقع مسؤولية الالتزام بتنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية على إدارة الشركة، أما مسؤوليتنا فتتحدد في إبداء رأي مستقل في مدى التزام الشركة بذلك بناء على تدقيقنا. لقد قمنا بتدقيقنا الذي يتطلب منا تخطيط وتنفيذ إجراءات التدقيق والحصول على جميع المعلومات والتفسيرات والإقرارات التي نعتبرها ضرورية لتزويدنا بأدلة تكفي لإعطاء تأكيد معقول بأن الشركة ملتزمة بأحكام الشريعة الإسلامية، كما تم بيانها من قبلنا.

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

وبناء على ما تقدم، نفيد بما يلي:

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

- تقع مسؤولية إخراج الزكاة على المساهمين.

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

دار الرقابة
للاستشارات الشرعية
ص.ب. : ٤١٢٥ الصفاة
الرمز ١١٣٠٤٢ الكويت
هاتف : ٢٢٤٦١١٤١
فاكس : ٢٢٤٦١١٤٢

الشيخ يوسف محمود علي

عضواً

أ.د. بدر عبد الرزاق الماص

عضواً

أ.د. سيد محمد الطيبباني

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Rule #6 - Promote Professional Conduct and Ethical Values

Charter of Standards and Determinants of Professional Conduct and Ethical Values

The work charter at Al-Tijaria is a constitution of values for its employees and includes professional ethics and behavioral controls that all employees of the company must possess in accordance with the principles, teachings and ethics of the Noble Islamic Sharia, and includes objectives, principles and standards.

A Objectives:

1. Consolidating the moral concepts and values of the company.
2. A tool to refer to the company's behaviors and ethics.
3. Verifying the commitment of all employees of the company to ethical and behavioral standards that are consistent with the company's policies and vision.
4. Providing an appropriate and effective work environment within the frameworks of applying governance.
5. Considering the ideal employee who is committed to his duties and aware of his rights is the cornerstone of building "Al-Tijaria".
6. Building the foundations of cooperation and interaction, developing a team spirit, and consolidating the loyalty of Al-Tijaria's employees.
7. Respecting work and applying the teachings of Islamic law in all transactions between employees and clients.

B Principles and Standards:

1. The commitment of each of the members of the Board of Directors, the executive management and the company's employees to all laws and instructions, and a commitment to achieve the interest of the company, shareholders and other stakeholders and not the interest of a specific group or group.
2. The members of the Board or the Executive Management shall not use the position's power to achieve any private interest or personal ends for him or for others.
3. Non- exploitation of the company's assets and resources to achieve personal interests and to use them in the best way to achieve the company's goals.
4. Establishing an appropriate and clear system and mechanism that prevents the members of the Board, the executive management and the employees from exploiting the information by virtue of their job position for their personal benefit.
5. Setting the standards, procedures and policies needed to organize operations with related parties.
6. Setting the necessary standards, procedures and policies for the complete separation between the interests of the company and those related to the members of the Board of Directors.
7. The obligation of the members of the board of directors to disclose to the board of directors any common interests it has with the company, whether directly or indirectly.
8. The members of the Board of Directors are obligated not to participate, express an opinion, or vote on any issues presented to the Board in which they have a direct or indirect common interest.
9. Establishing the necessary mechanism for the company's employees to report their complaints about any improper practices or suspicious matters while ensuring an independent and fair investigation of these complaints, and ensuring confidentiality that ensures the protection of the whistleblower from any negative reaction or harm that may be caused to him as a result of reporting such practices.
10. The job includes reciprocal rights and duties between the employee and the company, and the employee's positive participation is through the constant pursuit of performing duties with full understanding and awareness of responsibilities honestly and faithfully in return for his rights that must be guaranteed by "Al-Tijaria" in accordance with the internal regulations and labor law.
11. Ensuring the freedom to differ in viewpoints between colleagues in seeing things and ideas is a natural matter as long as it does not conflict with the course of work and job tasks and does not lead, directly or indirectly, to obstructing or impeding the achievement of goals.
12. Ensuring the equality between employees.
13. Ensuring respect, constructive dialogue, exchanging ideas, and avoiding controversy is the best and finest means of dealing among all employees, regardless of their job levels, and it is one of the main pillars of the work environment at "Al Tijaria".

Summary of policies and mechanisms for reducing conflicts of interest:

The Commercial Real Estate Company "Al Tijaria" follows conservative policies to reduce conflicts of interest, whether at the level of executive management and company employees or at the level of board members, including the following:

1. The Board of Directors must have a policy regarding conflict of interest so that this policy includes clear examples of cases of conflict of interest and how to address and deal with them, without prejudice to the cases mentioned in the Companies Law.
2. A member of the board of directors must inform the Board of Directors of his personal interest in the business and contracts that are done for the company's account, and this notification is recorded in the minutes of the meeting, and the member with an interest may not participate in voting on the decision issued in this regard.
3. The Chairman of the Board of Directors informs the General Assembly, when it is held, about the business and contracts in which a member of the Board of Directors has a personal interest, and a special report from the auditor shall be attached to this notification.
4. The company shall assign an independent expert, such as an asset valuer or investment advisor, to submit a report to the General Assembly or the Board of Directors, as the case may be, regarding any transaction between the company and any party related to it, or any arrangement whereby each of the parties enters into any project, asset or provides financing for it, whenever the value of the transaction or arrangement equals 5% or more of the company's total assets, provided that such report is submitted before approving the deal or arrangement referred to in this Article. The expert in charge must abide by impartiality when preparing the report required by this article.
5. No employee or member of the Board of Directors may engage in any activities that may lead to the emergence of a conflict between his interest and the interest of the company, in order to avoid exposing the company to the suspicion of a conflict of interest even if there is no actual conflict of interest. Employees, who are responsible for making purchase orders for supplies, equipment, transportation services, employment contracts and other services for the Company, may not have a significant stake in any company that supplies of services to the Company.
6. It is also not permissible for family members of the employee or a member of the board of directors to have such an interest. The term "significant share" means any financial interest that may influence the employee's decision to engage in business for Al-Tijaria. A potential or real conflict of interest occurs when an employee is in a position influencing a decision that may lead to personal gain for his or her own account or for the account of another employee or a member of his family, friends or relatives.
7. The conflict of interest policy states that any interest of the employee, member of the Board of Directors, or their relatives should be reported in any contracts or dealings with the company and that they should not take any decision or vote on any decision related to this interest if it exists.
8. The Board of Directors has developed a clear and approved policy for dealing with related parties (if any) to ensure that transactions with related parties are reviewed and initially approved by the Executive Committee, reviewed by the Audit and Risk Committee, and finally approved by the Board of Directors, provided that the approval of the Ordinary General Assembly to deal with related parties at the end of the financial year.

Rule #7 - Accurate and timely disclosure and transparency

Accurate and transparent presentation and disclosure mechanisms and policies that define aspects, areas and characteristics of disclosure

Al-Tijaria adopts a policy of disclosure and transparency towards its board of directors, shareholders and stakeholders on the one hand, and towards the concerned and supervisory authorities, in compliance with the laws and regulations followed in the State of Kuwait on the other hand.

It stipulates the need to adhere to accurate, organized and appropriate internal and external disclosure of all financial matters and material information related to the company, including a statement of the financial position, performance, ownership and any practices related to control of the company or its decisions. Such transparency creates an atmosphere of confidence and tranquility internally and externally, and the judiciary on conflict of interest with related parties/relationship.

Transparency also ensures clear communication between shareholders, the board of directors and the executive management, and the creation of an effective climate of credibility in the work environment, which is a responsibility that all parties bear.

Al-Tijaria is committed to following all laws, regulations and instructions related to disclosure issued by the various regulatory and supervisory authorities in a timely manner, believing in the importance of transparency in enhancing the confidence of shareholders and stakeholders and maintaining the company's reputation in the markets in which it operates.

Record of disclosures of members of the Board of Directors, Executive Management & Managers

The Commercial Real Estate Company "Al Tijaria" sets a special record for the disclosures of the members of the Board of Directors and the Executive Management, provided that the record is available for viewing by all the company's shareholders. All shareholders of the company have the right to view this record without any fee or consideration, and the company must be committed to updating the data of this the record periodically reflects the reality of the relevant parties' situations. This record and relations with shareholders in this context are followed up by the Shareholders & Investors Affairs Section.

Duties and Responsibilities of the Shareholders & Investors Affairs Section

The Shareholders and Investors Affairs Section of the Commercial Company is responsible for providing and providing the necessary data, information and reports to current shareholders and potential investors, as well as keeping a copy of the company's shareholder register and following up on updates to the register with the Kuwait Clearing Company to update shareholder information in many ways, whether through official correspondence or through means of disclosure and/or the company's website.

Develop the infrastructure of information technology to rely on in the disclosure process

The material information is disclosed through the company's disclosure on the stock exchange's website and addressing the Capital Markets Authority with the announcement containing the information to be disclosed in accordance with the relevant forms, in addition to the disclosure on the company's website.

Rule #8 - Respect Shareholders' Equity

Requirements to define and protect the general rights of shareholders

The current shareholders of Al-Tijaria are those who are registered in the books and records of the Kuwait Clearing Company, "the clearinghouse". Each shareholder, regardless of his ownership percentage, is entitled to the following:

1. Recording the value of the ownership interest in the company's records.
2. Taking actions of shares from registration of ownership, transfer and/or waiver.
3. Obtaining the prescribed share in the distribution of cash dividends and bonus shares in accordance with the recommendations submitted by the Board and approved by the General Assembly.
4. Obtaining a share of the company's assets in the event of liquidation.
5. Obtaining data and information on the company's activity and its operational and investment strategy in a regular and easy manner.
6. Monitoring the performance of the company in general and the work of the Board of Directors in particular.
7. Accounting the members of the board or the executive management and filing liability claims in the event of their failure to perform the tasks entrusted to them.
8. The right to participate in the meetings of the General Assembly and to vote on decisions and the same treatment.
9. Announcing for the daily newspapers is seven days before the date of the General Assembly is approved and is decided and approved by the concerned authorities, with the provision of all data, reports and information related to the agenda.
10. Not to impose any fees in return for any class of shareholders attending the General Assembly meetings or granting a preferential advantage to any class over other classes of shareholders.
11. Informing shareholders of all the rules governing voting procedures and providing all information regarding voting rights to both current shareholders and prospective investors on a continuous and permanent basis for all classes of shareholders.
12. Election and dismissal of the Board members in accordance with the organizing laws.
13. Amendment to the company's Articles of Association.
14. Adoption of extraordinary transactions.
15. Approval of any sale, purchase or disposal of the company's assets if its value reaches 50% or more of the total value of the company's assets.
16. Shareholders owning 5% of the company's capital have the right to add items to the agenda of the General Assembly meetings.
17. Establishing a mechanism that allows providing an introductory overview of the candidates for the membership of the Board of Directors before the voting takes place, which gives the shareholders a clear idea of the candidates' professional and technical skills, experiences and other qualifications.
18. Participating in the management of the company by running for membership in the board of directors, attending general assemblies, participating in its deliberations and voting on its decisions in accordance with the provisions of the law the articles of association and the articles of Incorporation.
19. To be Chairman of the Board of Directors of more than one closed Joint Stock Company. It is also permissible to combine the position of Chairmanship/Membership of the Board of Directors with the position of the Chief Executive Officer, or the position of the Chief Executive Officer may be a non-member of the Board of Directors.
20. Shareholders representing 25% of the issued capital has the right to request the replacement of the auditor during the fiscal year.
21. Shareholders owning 5% of the company's capital may request the Ministry to appoint an auditor to conduct an inspection of the company regarding what they attribute to the director, board members, auditor, or the company's chief executive officer of violations in the performance of their duties whenever they have reasons that justify this request.

Record of shares with the clearing agency in order to continuously monitor the shareholders' data

Shareholders' records are kept with the "clearing office", which is updated on a daily basis with each change, and can be viewed through direct contact and request from the "clearing department" in accordance with the contract concluded between "Al-Tijaria" and the clearing house. In addition, "Al-Tijaria" maintains updated records with the names of its shareholders, the number, the type of their shares, the value paid for each share, their ownership percentages, their identification numbers, and their contact data through the Shareholders & Investors Affairs Section.

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

Al-Tijaria is interested in encouraging all categories of shareholders to attend, participate and vote in the general assembly meeting. The Board of Directors thus commit to the following:

- Urging the shareholders to attend the general assembly meeting, at the time and place specified in the articles of incorporation and articles of association or the company's board of directors, so that the date and place of the meeting is arranged to facilitate and encourage them to attend.
- Each topic presented in the agenda of the ordinary or extraordinary general assembly shall be accompanied by a sufficient explanation and sufficient review of all its aspects to enable the shareholders to take their decisions based on the information provided to them, in a sound and thoughtful manner, and not merely to complete the formal aspects of the meeting.
- The general assembly is managed in a way that allows the shareholders to express their opinions.
- Each shareholder has a number of votes equal to the number of his shares. Resolutions are issued by an absolute majority of the shares represented. The Company guarantees the opportunity for all shareholders to exercise the right to vote without placing any obstacles that lead to a ban on voting, as follows:
 1. All shareholders enjoy the same voting rights granted to them and the same treatment by the company, regardless of their ownership shares.
 2. The shareholder has the right to vote personally or by acting proxy, with the same rights and duties in both cases.
 3. Informing the shareholders of all the rules governing voting procedures before the start of the assembly.
 4. Providing all voting information to all current shareholders and prospective investors, while ensuring that this information is provided on a continuous basis for all categories of shareholders.
 5. No fees are charged for attending any class of shareholders at the General Assembly meetings, and no preferential advantage is granted to any class over other classes of shareholders.

Rule# 9 - Realizing the Role of Stakeholders

Acknowledging the rights of stakeholders

Al-Tijaria complies with the standards for implementing governance and the laws and instructions issued by the regulatory authorities regarding stakeholders such as the Labor Law, the Companies Law and Executive Regulations thereof, contracts concluded with stakeholders, and internal systems and policies that ensure protection and recognition of stakeholders' rights and encourage them to pursue the company's activities, which provide them with the opportunity to obtain actual compensation in the event of a violation of any of their rights, as well as the standards stipulated by the Organization for Economic Cooperation and Development, which included the role of stakeholders or parties associated with the company, where it recommended the need to work to respect their legal rights and compensate for any violation of those rights, as well as the mechanisms of their effective participation in the follow-up of the company's business. The company guaranteed the rights of stakeholders through specific mechanisms, as listed below:

1. Providing information and opportunities to review it periodically and in a timely manner, through interim financial statements and continuous disclosures and following the transparency policy.
2. Developing mechanisms for employees' participation in improving performance by following the open door policy and continuous evaluation and development of performance.
3. Allowing individuals with interests and the entities that represent them to communicate freely with the Board of Directors or the Executive Management to express their concerns about any illegal behavior or contrary to professional ethics in a manner that does not lead to prejudice or derogation from their rights if they do so.
4. Applying equality in dealing with the various parties to all members of the Board, related parties and stakeholders, without discrimination or preferential conditions.
5. The company's commitment to contracts concluded with stakeholders, which ensure that any party receives appropriate compensation in accordance with the stipulations of those contracts and in line with the regulating laws.
6. Developing policies and procedures manuals that regulate the relationship with customers and suppliers and a mechanism for maintaining confidentiality of information related to them through the concerned departments.
7. Establishing specific mechanisms to protect the rights of stakeholders in accordance with the provisions of the contracts and operational policies of the company.

Encouraging stakeholders to participate in following up on the company's activities

The company has established mechanisms and frameworks to ensure the maximum benefit from the contributions of stakeholders and urge them to participate in following up on its activities, in accordance with the full realization of its interests:

1. Stakeholders are shared with information and data related to the company's activities through electronic advertisements to invite them to attend and participate in those activities and events in a timely manner. The company also has a mechanism that allows stakeholders to share their opinions and suggestions in various fields of development.
2. The company has on its website the possibility of direct communication to report violations, whistle blowing, which allows the company's employees and/or customers and stakeholders to communicate their complaints and any violations. This is through a policy aimed at encouraging employees to raise any serious doubts and serious concerns. Establishing an effective work environment characterized by transparency and cooperation in the interest of all employees and stakeholders, so that whistle-blowing practices define guidelines and procedures that allow company's employees to raise any important disputes, or any serious suspicions of any possible wrongdoing, misconduct or reportable conduct, and allow an independent investigation to assess and verify such suspicions, while providing them with protection and guarantees that they will not be subject to sanctions in the event that these fears or suspicions are not proven true.

Rule #10 - Enhance and Improve Performance

Mechanisms for Board members and executive management to receive regular training programs and courses an induction program is provided for new board members and executive management. This program includes a file description of the company's tasks and activities, strategic planning, risk management and control system, in addition to any other relevant information.

Coordination is made to conduct a visit to the main sites of the company's assets. The induction program is reviewed and modified periodically, and its availability is ensured in the event that the Board or one of its members changes, provided that it includes the following matters as a minimum:

1. The company's strategy and objectives.
2. Memorandum of Association and Articles of Association.
3. The organizational structure of the company.
4. The responsibilities and tasks assigned to the members, as well as the powers and rights.
5. The legal obligations of the company and the board of directors.
6. The role of the committees emanating from the board through the governance guide.
7. Financial statements for the last three years.
8. Statement of cash dividends/bonus shares for previous years.
9. Plans approved by the Board (career succession plan, training plan, internal audit plan, risk management plan...)
10. The estimated budget and the asset allocation strategy approved by the Board.
11. Contact guide (information card containing contact details for members, executive management and the office of the Chairman of the Board of Directors, including names, job titles, phone numbers, mobiles, faxes and e-mails).

In addition to the above, an annual plan is drawn up and approved for training programs for members of the Board of Directors and the executive management regarding new standards, regulations and updates, especially in the field of administrative and financial work, in order to develop their performance, their skills, and enrich their expertise, especially in the field of governance and risk management.

Evaluate the performance of the Board of Directors and the performance of each member of the Board of Directors and the Executive Management

A self-evaluation is conducted for the performance of the members of the Board of Directors including the performance of the Chairman and Vice-Chairman. The self-assessment is conducted on an annual basis. The assessment is reviewed and approved by the Governance Committee and the Board of Directors, provided that performance is evaluated through objective performance indicators (KPIs) to assess the Board of Directors as a whole and the contribution of each member. From the members of the Board and each of its committees, provided that the evaluation of the Board and the committees includes a set of indicators:

A. Qualitative Indicators:

- The degree of deviation between the company's estimated budget and the actual achieved figures.
- The extent of progress that has been made towards achieving the desired goals.
- The extent of the response towards correcting the observations received from the regulatory authorities.
- The extent of the rapid response to the realization of problems and the ability to solve them.
- The turnover rate of employees to measure the degree of belonging to the company.
- The training courses obtained and their relevance to the nature of work.

B. Quantitative indicators:

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

Also, an annual evaluation of the performance of each member of the Board of Directors is conducted by all members of the Board to determine the level of performance and the extent of the need for development at the individual level, based on the form prepared for this, which includes the following indicators:

- The degree to which the member has sufficient skills and experience to carry out his duties.
- Extent of effort and due diligence in carrying out the tasks entrusted to him and effective participation in the meetings of the Board and committees.
- Attendance rates and the degree of commitment to board and committee meetings.
- The extent to which the member enjoys impartiality, integrity and adherence to the laws and policies of the company.

The Corporate Values Company Methodology

Vision

Delivering the highest level of excellence and enriching the real estate market in the state of Kuwait expanding globally through iconic designs and maximum quality standards. Governance and company expertise are our key elements to creating and maximizing shareholders' wealth.

Message

Developing a business strategy to reach the optimal income to achieve consistent growth rates, returns, and cash flows; which in return increases the value of each project to deliver optimum results to our stakeholders and shareholders. In addition to the acquisition of good assets and maintaining the balance and diversity of real estate portfolios in the local, regional, and global markets.

The Strategy

- Reconciling the allocated budget and deadlines.
- Maintaining the maximum occupancy and rent collection rates.
- Exerting all efforts to develop performance and achieve the desired goals to ensure the interests of shareholders and achieve growth in their rights.
- Maximizing the role of the company in the provision of real estate services and facilities management.
- Complying with preventative maintenance
- Maintaining a low finance cost that matches Al-Tijaria financial strategy.
- Maintaining high-quality and low-risk projects by applying best practices.
- Ensure having updated market studies as an indicator to monitor local and world trends and stock exchange markets.
- Providing the most effective internal training platforms to maintain and create expert employees.
- Providing a suitable environment for employees and clients.
- Maintaining an innovative work environment.
- Ensure applying the 5Ts principle.
- Developing real estate properties by following the building regulations in place to achieve the safety and optimum yield.
- Obtaining and maintaining the international certificates to comply with international standards.

Future Plan

The Commercial Real Estate Company (Al-Tijaria) is keen to continue diversifying its real estate investments, both geographically as well as sector wise, especially in light of changing economic conditions all over the world and the Middle East in particular. This is achieved by maintaining investments with profitable operational returns, in politically and economically stable markets and by continuously working on its development, and diligent follow-up, so that the company's plans and strategies are updated at the appropriate time. In parallel, support and development of third-party property management is provided, to ensure the provision of distinguished utility services to the company's clients.

Optimum income

Implementing an active internal mechanism to ensure optimal profitability of commercial assets through effective management of assets and resources to enhance the optimal income of the company's assets and obtain good returns to ensure cash distributions, knowing that the percentages of returns and distributions are subject to increased revenues and profitability.

Values

- The 5T's Model: Time Management, Trust, Transparency, Teamwork, and Task Cognition.
- Sustainability: Al-Tijaria operates its business to the best serve of the interest of our economy shareholders and stakeholders by maintaining revenue and driving prosperity.
- Innovation: We are committed to continually enhancing our services by embracing creativity and encouraging the pursuit of new opportunities.
- Integrity: Honesty is essential to the way we do business and how we interact with stakeholders, clients, and tenants.
- Governance - the conscience within everyone. It grows and matures to the extent of compliance with the laws and instructions issued by the company and regulators and its impact reflected positively on both personal and professional levels.
- Ethics - Respect for the work and colleagues, and discipline.

Our Values and Principles

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



مع خالص تحياتي
With my best regards
عبدالفتاح معرفي
Abdulfatah Marafie

Rule # 11 - Focus on the importance of social responsibility

Summary of social responsibility policies and procedures

Under the slogan "We Care", Al-Tijaria works to contribute to social responsibility initiatives in implementation of its strategic objectives, as it launches programs and social activities on a permanent and continuous basis.

Al-Tijaria's interest in social responsibility has grown in the past years until it has become one of the basic performance criteria, especially since the company believes that social responsibility is no longer a matter of volunteering to help the community, but rather has become an essential for long-term success through various activities (charitable, cultural, scientific, health, environmental and social) based on the principle of commitment and dealing in accordance with the teachings and provisions of the tolerant Islamic Sharia, which urges dealing in accordance with the best standards and within the frameworks of social solidarity.

Criteria for implementing the corporate social responsibility policy in Al- Tijaria:

- Respect and responsibility, meaning the company's respect for the internal environment (employees), and the external environment (community individuals).
- Supporting and enhancing the community.
- Protecting the environment by taking the initiative to provide what serves the environment, improves the environmental conditions in the community, and addresses environmental problems of all kinds, such as (health and education) in line with the projects and activities practiced by the company.
- Programs and mechanisms used that help highlight the company's efforts in the field of social work.
- Al-Tijaria has developed a set of programs and mechanisms that ensure the continuity of implementing social responsibility policies on a permanent basis and in accordance with organized and consistent mechanisms where:
 1. An annual plan approved by the Board of Directors for all contributions, events and activities during the year is developed.
 2. An annual allocation to implement the social responsibility plan is approved.
 3. Continuous supervision by the Governance Committee of the implementation of the social responsibility plan is fulfilled.
 4. Periodic reports to the Governance Committee on the activities implemented, in addition to a periodic news publication explaining the activities carried out by the company and the nature of contributions are prepared.

Social Responsibility Programs and Events

“Donate a toy... Share the Joy” Campaign

Commercial Real Estate Company (Al Tijaria) launched the third edition of the “Donate a Toy...Share the Joy” Campaign to collect toys and stationery and donate them for the benefit of children from needy families inside the State of Kuwait in Boulevard Complex for three weeks. This campaign aimed to make the children in need happy and bring joy to their hearts. It was also keen on urging parents to teach their children altruism and generosity, and to share the blessings that God bestowed upon them with those who are less fortunate than them. The process of distributing the toys inside the Boulevard Mall was carried out by the marketing and communication team of the Commercial Real Estate Company, in addition to volunteers from the Ameer Al Ensaniyah team, where all the toys were distributed amidst the overwhelming joy of the children.



“Plant a Tree in My Country” Campaign

A campaign was launched under the title “Plant a Tree in My Country” and implemented twice during 2022 to plant plants in the Boulevard Park in cooperation with volunteers and schools. This initiative aims to encourage citizens and residents of Kuwait to create a greener environment, to work on increasing oxygen, and to motivate them to launch similar initiatives, to set a good example for neighboring countries and the rest of the world to follow in the long term.



“Rafad Charity – The Holy Month of Ramadan Campaign”

Under the slogan “We Care”, Al- Tijaria Real Estate Company organized the “The Holy Month of Ramadan Campaign” for the fourth year as part of the “Rafad” charity campaign. Food boxes containing the food essentials that any family may need during the Holy Month of Ramadan were prepared with the help of employees from Al- Tijaria Real Estate Company. The supplies were also distributed to the needy in cooperation with Kuwaiti youth from the “Ameer Al Ensaniyah” volunteering group who volunteered to contribute to this campaign.



Related Party Transactions Report
For the fiscal year ending on December 31, 2022

Dear Shareholders,

Related parties are members of the Board of Directors, senior management personnel, executive management, major shareholders of the Commercial Real Estate Company, subsidiaries, associate companies, and companies in which members of the Board of Directors, senior management personnel, and executive management own major shares in the parent company's practice, or they can Exercising effective influence or joint control over it, and the pricing policies and terms of these transactions are approved by the management of the parent company according to specific bases.

Transactions	K.D
Key Management Remuneration	896,625
Operating Income	76,144
Operating expenses and other charges	349,335
Purchase of property, plant and equipment	54,532
Advance payments for the acquisition of investments	935,860
Balance	K.D
Accounts payable - due to related parties	88,555
Key Management Remuneration	634,923

It is expected that 2023 will witness transactions with related parties in the interest of the company.

The agenda of the Ordinary General Assembly for the fiscal year ending on 31/12/2022

1. Discussing and approving the report of the Board of Directors for the fiscal year ending on 31/12/2022.
2. Reading and approving of the governance report, the audit committee report, the remuneration report for the members of the Board of Directors, and the executive management for the fiscal year ending on 31/12/2022.
3. Discussing and approving the report of the external auditor, M/s. Deloitte, Touche Al-Wazzan & Partners, for the fiscal year ending on 31/12/2022.
4. Discussing the report of the Sharia Supervisory Board, M/s. Dar Al-Raqaba for Sharia Consultations for the fiscal year ending on 31/12/2022.
5. Discussing and approving the consolidated financial statements and the profit and loss account for the fiscal year ending on 31/12/2022.
6. Reviewing any violations or penalties detected by the regulatory authorities or for which penalties were imposed on the company during the year 2022 (if any)
7. Discussing the Board of Directors' recommendation to distribute cash dividends at the rate of (3%) of the nominal value of the share (3 fils per share) after offering the treasury shares owned by the company and distributing bonus shares (from the treasury shares) at a percentage of (3%) (3 treasury shares for every 100 shares) to the registered shareholders in the company's records at the end of the maturity date set on 30/04/2023, and the distribution of profits to those entitled to it begins on 02/05/2023, with the authorization of the Board of Directors to amend the schedule for share entitlements and dispose of share fractions.
8. Approving the proposal of the Board of Directors to deduct a statutory reserve at the rate of (10%) of the net profits for the fiscal year ending on 31/12/2022 before deducting the share of the Kuwait Foundation for the Advancement of Sciences, the national labor support tax and zakat, and the remuneration of the members of the Board of Directors with the amount of (1,301,135/-) (One million three hundred and one thousand one hundred and thirty-five Kuwaiti dinars only).
9. Approving of the Board of Directors' proposal not to deduct a voluntary reserve for the fiscal year ending on 31/12/2022.
10. Approval of allocating an amount of (60,000/- KD) (sixty thousand Kuwaiti dinars only) as part of social responsibility.
11. Discussing the recommendation of the Board of Directors regarding the distribution of an amount of (104,000/-) KD (one hundred and four thousand Kuwaiti Dinars only) as a remuneration for the members of the Board of Directors for the fiscal year ending on 31/12/2022
12. Reviewing and approving the transactions that took place with related parties during the fiscal year 2022 and authorizing the transactions that will take place during the fiscal year 2023.
13. Approving the authorization of the Board of Directors to buy or sell the company's shares not exceeding 10% of the number of its shares, in accordance with the articles of Law No. (7) of 2010 and its executive regulations and amendments thereof.
14. Discussing the disclaimer of the members of the Board of Directors and their release from all matters related to their legal, financial and administrative actions for the fiscal year ending on 31/12/2022.
15. Allowing members of the Board of Directors to combine their membership in the Board of Directors of the Commercial Real Estate Company, and the membership of any of its subsidiaries and/or associates, and/or operating in the same activity as the company or any of its branches.
16. Appointing or re-appointing the company's auditor for the fiscal year ending on 31/12/2023 and authorizing the Board of Directors to determine his fees, provided that the auditor is among those registered in the special register with the Capital Markets Authority, taking into account the extent of the mandatory change of auditors.
17. Appointing or re-appointing the Sharia Supervisory Board for the fiscal year ending on 31/12/2022 and authorizing the Board of Directors to determine its fees.

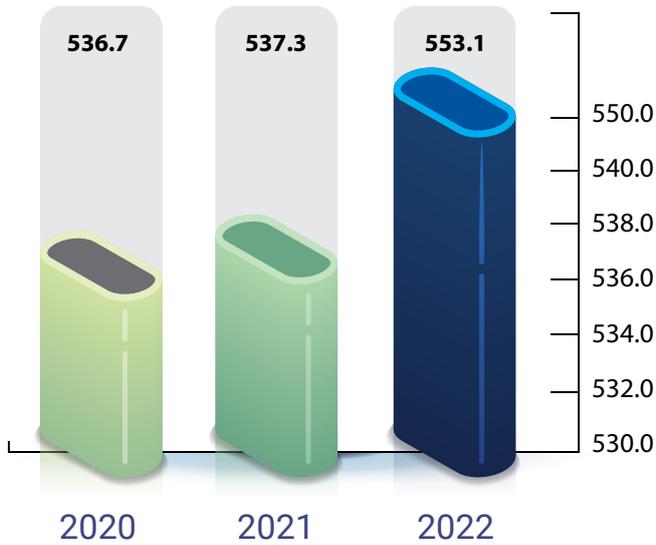
Abdulfatah M.R. Marafie
Chairman

Financial Indicators

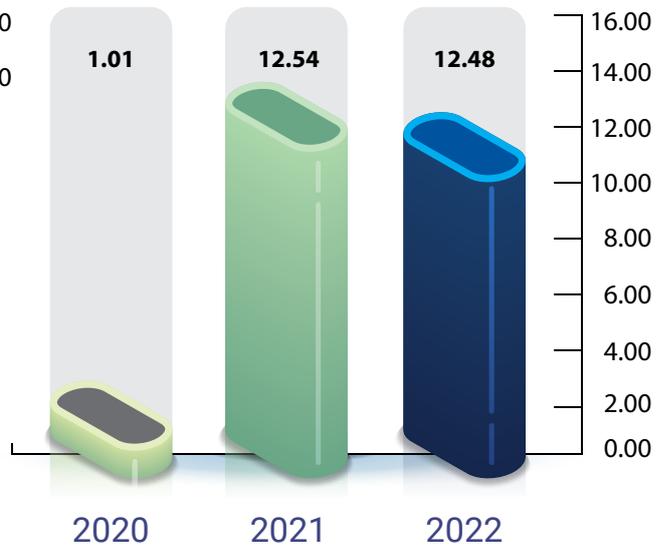
Financial Indicators			
Million Kuwaiti dinars except the percent	2022	2021	2020
Capital Structure	184.07	184.07	184.07
Total Assets	553.1	537.3	536.7
Shareholders' Equity	289.7	289.7	282.7
Investment Properties	370.7	373.9	377.5
Net Profit	12.48	12.54	1.01
Net Operating Revenues	21.64	35.14	13.41
Return on Average Assets	2.42%	2.37%	0.42%
Return on The Average of The Shareholders' Equity	4.31%	4.33%	0.36%
Returns on Capital	6.78%	%6.81	0.55%
Earnings Per Share (Fils)	7.09	7.08	0.56

Financial Indicators

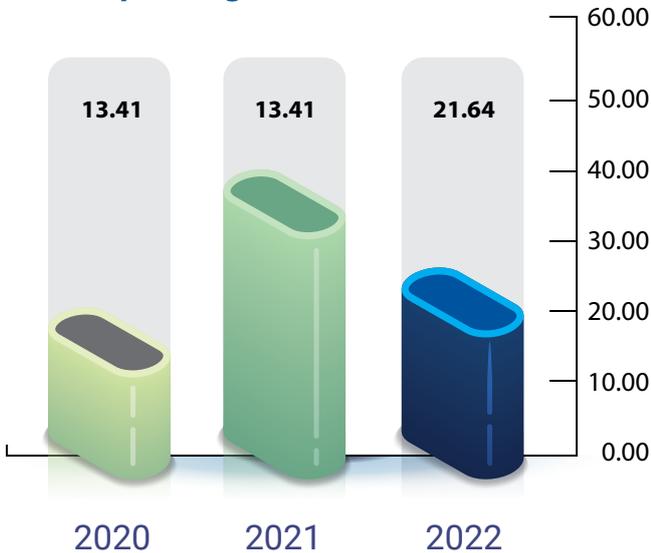
Total Assets (Million KD)



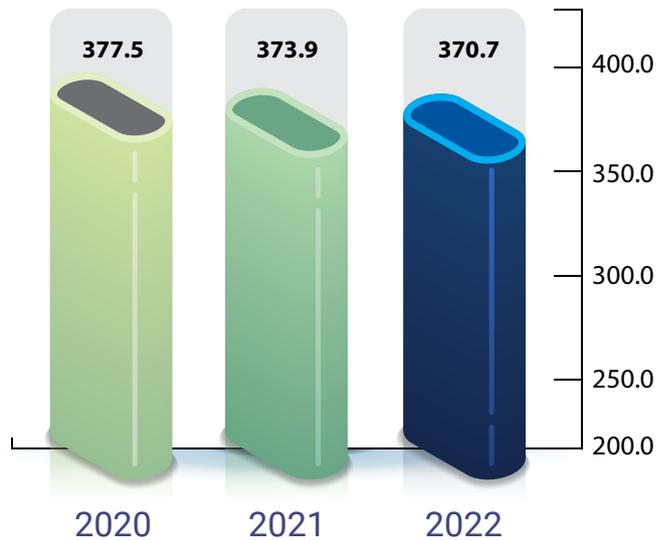
Net Profit (Million KD)



Net Operating Revenue (Million KD)



Real Estate Investment (Million KD)



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 2022

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

State of Kuwait

Report on the Audit of the Consolidated Financial Statements
Opinion

We have audited the consolidated financial statements of Commercial Real Estate Company K.P.S.C (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

State of Kuwait

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

Key Audit Matters (continued)

Valuation of Investment Properties

Key audit matter	How our audit addressed the key audit matter
<p>The Group’s investment properties portfolio is carried at KD 370,673,658 in the consolidated statement of financial position and the net fair value loss recorded in the consolidated statement of profit or loss is KD 3,502,014.</p> <p>The determination of the fair value of these investment properties is based on internal and external valuations using discounted cash flows over the Group’s estimated holding period, income capitalization method and the sales comparable approach for the respective asset. The Group’s discounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates and discount rates. Consequently, the valuation of investment properties is a key audit matter due to the significant judgments applied and estimates made. In addition, the existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements.</p> <p>In the event that the fair value of a real estate asset is higher or lower than its carrying amount, the Group will recognize a fair value adjustment in its consolidated statement of profit or loss.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of relevant controls related to the valuation of investment properties. • We assessed the valuer’s competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes. • We agreed the total valuation in the valuer’s report to the amount reported in the consolidated statement of financial position. • We tested the data inputs underpinning the investment property valuation for a sample of properties, including lease income, by agreeing them to supporting documentation to assess the reliability, completeness and accuracy of the underlying data. • We also compared a sample of the valuations to our independently formed market expectations and challenged any differences. • Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made. • We reperformed the arithmetical accuracy of the determination of recoverable amounts. • We assessed the disclosures made in the consolidated financial statements against the requirements of IFRSs.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor’s report thereon. The annual report for the year 2022 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.



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

State of Kuwait

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

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

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

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

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

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.



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

State of Kuwait

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

Report on Other Legal and Regulatory Requirements

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, as amended, 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, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2022 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the financial year ended 31 December 2022, that might have had a material effect on the business of the Group or on its consolidated financial position.



Bader A. AL-Wazzan

License No. 62A

Deloitte & Touche Al Wazzan & Co.

Kuwait, 13 March 2023

Consolidated Statement of Financial Position as at 31 December 2022

(All amounts are in Kuwaiti Dinar)

	Notes	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	5	21,993,873	22,857,758
Investment property	6	370,673,658	373,878,195
Investments in associates	7	40,750,576	40,968,845
Investments at FVOCI	8	57,475,854	34,656,140
		<u>490,893,961</u>	<u>472,360,938</u>
Current assets			
Land and properties held for trading	9	17,006,137	13,350,610
Investments at fair value through profit or loss	10	33,672,313	23,333,386
Receivables and other debit balances	11	6,135,323	18,915,708
Cash and cash equivalents	12	5,349,916	9,324,434
		<u>62,163,689</u>	<u>64,924,138</u>
Total assets		<u>553,057,650</u>	<u>537,285,076</u>
Equity and liabilities			
Equity attributable to the shareholders of the Parent Company			
Share capital	13	184,069,975	184,069,975
Share premium		1,308,384	1,308,384
Treasury shares	14	(9,554,851)	(6,796,105)
Statutory reserve	15	41,177,521	39,876,386
Voluntary reserve	16	29,296,785	29,296,785
Other reserve	17	5,069,973	6,618,827
Retained earnings		38,296,270	35,333,955
Total equity attributable to shareholders of the Parent Company		<u>289,664,057</u>	<u>289,708,207</u>
Non-controlling interests		23,435,358	23,197,194
Total equity		<u>313,099,415</u>	<u>312,905,401</u>
Liabilities			
Non-current liabilities			
Employees' end of service indemnity		1,094,999	953,212
Lease liabilities	6	2,353,486	2,443,452
Financing financial institutions	18	190,989,602	189,710,320
		<u>194,438,087</u>	<u>193,106,984</u>
Current liabilities			
Payables and other credit balances	19	15,974,376	16,773,074
Financing from financial institutions	18	29,545,772	14,499,617
		<u>45,520,148</u>	<u>31,272,691</u>
Total liabilities		<u>239,958,235</u>	<u>224,379,675</u>
Total equity and liabilities		<u>553,057,650</u>	<u>537,285,076</u>

The accompanying notes form an integral part of this 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 2022

(All amounts are in Kuwaiti Dinar)

	Notes	2022	2021
Income from operating sectors			
Rental income of investment properties	20	26,156,537	23,605,863
Hotel's and hospitality revenues	20	2,855,214	1,653,596
Sale of land and properties held for trading	22	615,000	17,994,996
Total income		29,626,751	43,254,455
Property expenses		(5,238,508)	(4,621,468)
Hotel's hospitality expenses		(2,720,772)	(2,061,213)
Cost of sale land		(28,607)	(1,426,846)
Total of costs		(7,987,887)	(8,109,527)
Net income from operating activities		21,638,864	35,144,928
Change in fair value for investment properties		(3,502,014)	(4,249,875)
Reversal / (impairment) of land and real estate held for trading		86,792	(436,265)
Gross profit		18,223,642	30,458,788
Share in associates' results		(2,231,348)	(632,934)
Gain from investments	21	4,405,152	1,891,668
Other income		64,224	120,106
Operating profit		20,461,670	31,837,628
Staff costs		(2,016,841)	(2,533,762)
Expenses and other charges		(1,330,009)	(1,083,496)
Finance costs		(6,659,831)	(5,504,145)
Provisions and impairment	23	3,467,013	(4,819,691)
Other expenses	31	-	(4,428,000)
Net profit before deductions		13,922,002	13,468,534
Kuwait Foundation for the Advancement of Sciences (KFAS)		(77,008)	(90,578)
National Labor Support Tax (NLST)		(277,854)	(388,792)
Zakat Expense		(72,799)	(129,901)
Key management remuneration		(104,000)	(128,000)
Net profit for the year		13,390,341	12,731,263
Shareholders of the Parent Company		12,479,693	12,537,227
Non-controlling interests		910,648	194,036
		13,390,341	12,731,263
Earnings per share for Parent Company's shareholders (fils)	24	7.09	7.08

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022*(All amounts are in Kuwaiti Dinar)*

	2022	2021
Net profit for the year	<u>13,390,341</u>	<u>12,731,263</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	(650,126)	(393,797)
Group's share in associates' reserves	<u>(1,094,853)</u>	<u>1,438,076</u>
	<u>(1,744,979)</u>	<u>1,044,279</u>
<i>Items that may be reclassified subsequently to statement of income:</i>		
Foreign currency translation differences	254,169	(129,216)
Total other comprehensive (expense) / income	<u>(1,490,810)</u>	<u>915,063</u>
Total comprehensive income for the year	<u>11,899,531</u>	<u>13,646,326</u>
Distributed as follows:		
Shareholders of the Parent Company	10,943,865	13,494,020
Non-controlling interests	<u>955,666</u>	<u>152,306</u>
	<u>11,899,531</u>	<u>13,646,326</u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar)

	Equity Attributable to Shareholders of the Parent Company							Non- controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 17)	Retained earnings		
Balance as at 1 January 2021	184,069,975	1,308,384	(7,953,856)	38,548,936	28,633,060	5,352,836	32,780,423	23,437,954	306,177,712
Net profit for the year	-	-	-	-	-	-	12,537,227	194,036	12,731,263
Total comprehensive income for the year	-	-	-	-	-	956,793	-	(41,730)	915,063
Sale of investment at FVOCI- associate	-	-	-	-	-	-	(68,204)	-	(68,204)
Sale of investment at FVOCI	-	-	-	-	-	(180,749)	1,333,449	70,492	1,223,192
Cash dividends (Note 26)	-	-	-	-	-	-	(5,267,149)	-	(5,267,149)
In-kind dividend from treasury shares (Note. 26)	-	-	3,504,854	-	-	489,947	(3,994,801)	-	-
Cash dividends of subsidiary	-	-	-	-	-	-	-	(455,311)	(455,311)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	4,185	(8,247)	(4,062)
Purchase of treasury shares	-	-	(2,347,103)	-	-	-	-	-	(2,347,103)
Transferred to reserve	-	-	-	1,327,450	663,725	-	(1,991,175)	-	-
Balance as at 31 December 2021	184,069,975	1,308,384	(6,796,105)	39,876,386	29,296,785	6,618,827	35,333,955	23,197,194	312,905,401
Balance as at 1 January 2022	184,069,975	1,308,384	(6,796,105)	39,876,386	29,296,785	6,618,827	35,333,955	23,197,194	312,905,401
Net profit for the year	-	-	-	-	-	-	12,479,693	910,648	13,390,341
Total comprehensive (expense) / income for the year	-	-	-	-	-	(1,535,828)	-	45,018	(1,490,810)
Sale of investment at FVOCI- associate	-	-	-	-	-	-	(13,021)	-	(13,021)
Sale of investment at FVOCI	-	-	-	-	-	(22,097)	338,949	-	316,852
Cash dividend (Note 26)	-	-	-	-	-	-	(8,840,740)	-	(8,840,740)
Cash dividend of subsidiary	-	-	-	-	-	-	-	(617,401)	(617,401)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	59,081	(109,210)	(50,129)
Share of other reserves in associates	-	-	-	-	-	-	242,624	9,109	251,733
Adjustment of an associate financials	-	-	-	-	-	-	(3,136)	-	(3,136)
Purchase of treasury shares	-	-	(2,800,689)	-	-	-	-	-	(2,800,689)
Sale of treasury shares	-	-	41,943	-	-	9,071	-	-	51,014
Transferred to reserve	-	-	-	1,301,135	-	-	(1,301,135)	-	-
Balance as at 31 December 2022	184,069,975	1,308,384	(9,554,851)	41,177,521	29,296,785	5,069,973	38,296,270	23,435,358	313,099,415

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

Consolidated Statement of Cash Flows for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar)

	Notes	2022	2021
Operating activities			
Net profit for the year		13,390,341	12,731,263
<i>Adjustments for:</i>			
Change in fair value of investment properties	6	3,502,014	4,249,875
Reversal / (impairment) of land and real estate held for trading		(86,792)	436,265
Gain on sale of land and properties held for trading		(586,393)	(16,568,150)
Share in associates' results		2,231,348	632,934
Gain from investments	21	(4,405,152)	(1,891,668)
Depreciation of property, plant and equipment	5	1,184,861	1,062,735
Finance cost		6,659,831	5,504,145
(Reversal) / impairment charge of provisions and impairment	23	(3,467,013)	4,819,691
Employees' end of service indemnity provided during the year		231,213	180,152
<i>Operating cash flow before changes in the working capital</i>		<u>18,654,258</u>	<u>11,157,242</u>
Purchase of Land and properties held for trading		(286,577)	(1,669,207)
Proceeds from sale of Land and properties held for trading		615,000	17,994,996
Receivables and other debit balances		1,172,733	(139,985)
Payables and other credit balances		(1,162,041)	1,704,637
Employees' end of service indemnity – paid during the year		(89,426)	(236,393)
Net cash generated from operating activities		<u>18,903,947</u>	<u>28,811,290</u>
Investing activities:			
Payment for purchase of property, plant and equipment	5	(320,976)	(907,301)
Payment for purchase of investment property		(297,477)	(594,638)
Payment to acquire shares in associates		(152,854)	(431,177)
Dividends received from associates and accrued associates' dividends		2,265,655	616,826
Payment to acquire investment at FVOCI		(24,789,753)	(5,657,263)
Proceeds on sale of investment at FVOCI		1,636,765	12,572,153
Payment to acquire shares in subsidiary		(50,129)	(4,062)
Proceeds on sale of investments at fair value through profit or loss		-	10,530
Payment to acquire investments at fair value through profit or loss		(1,262,127)	(3,143,337)
Advance payment for purchase of investments		(66,250)	(7,417,524)
Cash dividend received		2,427,514	2,138,607
Deposits with financial institutions		300,000	(300,000)
Net cash used in investing activities		<u>(20,309,632)</u>	<u>(3,117,186)</u>
Financing activities:			
Proceeds from financing from third party		40,280,000	46,020,000
Repayment of financing from third party		(23,954,563)	(53,384,873)
Payment for buy-back of treasury shares		(2,800,689)	(2,347,103)
Payment for right of use		(188,797)	(188,797)
The proceeds from the sale of treasury shares		51,014	-
Cash dividend paid		(8,825,598)	(5,384,644)
Finance cost paid		(6,212,799)	(5,602,917)
Cash dividends to non-controlling interests at a subsidiary		(617,401)	(455,311)
Net cash used in financing activities		<u>(2,268,833)</u>	<u>(21,343,645)</u>
Net change in cash and cash equivalents		<u>(3,674,518)</u>	<u>4,350,459</u>
Cash and cash equivalents at beginning of the year		<u>9,024,434</u>	<u>4,673,975</u>
Cash and cash equivalents at end of the year	12	<u>5,349,916</u>	<u>9,024,434</u>

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

1. Incorporation and activities

The Commercial Real Estate Company (K.P.S.C) ("the Parent Company") was incorporated as a Kuwaiti Shareholding Closed Company under Articles of Association No. 104/ M/ Vol.1 on 4 February 1968 under Commercial register No. 11329 and re-enrolled on 21 December 1981 under No. 239 in accordance with provision of the Commercial Companies Law. The main objectives of the Company are performing various real estate, agricultural, industrial and commercial activities, carrying out contracting and building constructions including sale, purchase, lease of real estate properties and investing surplus cash in equity markets through investment portfolios managed by specialized companies and financial institutions. 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 and 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 Bursa Kuwait on 21 December 2004.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries set out in note (25), ("together referred to as the Group").

The consolidated financial statements were authorized for issue by the Board of Directors on 13 March 2023.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis of measurement except for certain investment properties and financial instruments classified as investment securities at fair value through profit and loss ("Investments at FVTPL") and investment securities at fair value through other comprehensive income ("Investments at FVOCI"), which are measured at fair value.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Group's functional and presentation currency.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas where estimates and assumptions are significant to the consolidated financial statements, or areas involving a higher degree of judgment, are disclosed in Note 4.

Going concern

The Board of Directors have, at the time of approving these consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract</i> The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.2.2 IFRSs issued but not yet mandatorily effective

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

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> <p>The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies	<p>The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.</p> <p>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.</p>	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

2.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

2.3.1 Basis of consolidation

Subsidiaries

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent 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 Parent Company.

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount "higher of value in use and fair value less costs of disposal" 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 discontinue 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.

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

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

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

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

2.3.2 Property, plant and equipment

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

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

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

2.3.3 Investment properties

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

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

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

Investment properties fair value measurement

The fair value of the Group's investment properties 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 (note 6).

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2.3.4 Impairment of tangible and intangible assets other than goodwill

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

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

2.3.5 Financial instruments

Classification and measurement of financial assets

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

Business model assessment

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

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

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

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.

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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 are required to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

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

Financial assets carried at fair value through other comprehensive income

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

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

Debt instruments at FVOCI:

The Group measure debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value and gains and losses arising due to changes in fair value are recognised in other comprehensive income. Interest income and foreign exchange gains or losses are recognised in the consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss. The management of the Group classifies certain unquoted debt instruments under debt instruments at FVOCI.

Reclassification of financial assets

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

Impairment of financial assets

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

Group recognizes ECL for bank balances using low credit risk approach and other receivables using the general approach and uses the simplified approach for trade receivables as required by IFRS 9.

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Low credit risk assessment

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

Significant increase in credit risk assessment

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- 1) the financial instrument has a low risk of default;
- 2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- 3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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.

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

Simplified approach

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

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

Event of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

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Fair values

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

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

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes .

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments other than short term financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Presentation of allowance for ECL in the statement of financial position

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

2.3.6 Land and Properties held for trading

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

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2.3.7 Employees' end of service indemnity

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

2.3.8 Provisions

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

2.3.9 Equity, reserves and dividend payments

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

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

2.3.10 Treasury shares

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

2.3.11 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.
- 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.

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- Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the exchange rate as at the date of the reporting date. Foreign currency effect is a part of the change in fair value of investments classified in the other comprehensive income for OCI investments and profit or loss for FVTPL investments.

Group companies

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

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

2.3.12 Revenue recognition

Revenue from contract with customers is recognized when the Group satisfies the performance obligation by transferring the promised goods or service to the customer. A product or service is deemed to have been transferred when the customer has control over that item or service at a point in time or over time.

Revenue is measured at the amount of the consideration to which the Company is expected to be entitled in exchange for the transfer of the promised goods or services to the customer.

Rental income

Rental income is recognized in accordance with the accounting policy 2.3.14 "Leasing".

Sale of lands and real estate held for trading

Gains and losses from the sale of lands and real estate held for trading are recognized in consolidated statement of income at a point in time when the customer has control over the goods or assets.

Gain/loss on de-recognition of financial assets

Gain/loss on de-recognition of financial assets is recognized in accordance with the accounting policy 2.3.5. "Derecognition of financial assets".

Services income

The Group earns revenue from other services. Revenue from services is recognised as the Group satisfies the performance obligation by transferring the promised services to the customer.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income

Interest income is recognised using the effective interest method by reference to the principal outstanding and the interest rate applicable.

Revenue from hotel operations

The Group generates hospitality income from its owned hotels. These include revenues from room occupancies, food and beverages sales and other services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from its hospitality operations:

a. Identifying performance obligations in a bundled contract

The Group provides certain hospitality services to its customers as part of a single arrangement and these arrangements may include various performance obligations that represents performing a contractually agreed-upon task(s) for a customer. The Group determined that each of these performance obligations are capable of being distinct as these services are separately identifiable from other obligations in the contract and the customer can benefit from each service on its own. Furthermore, the Group also determined that the promises of such services are distinct within the context of each contract, the transaction price is determined separately based on each obligation and these services are not highly interdependent or highly interrelated. The transaction prices is allocated to each performance obligation based on the stand-alone selling prices.

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Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost-plus margin.

b. Determine transaction price

The transaction price is the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer. The Group determines the transaction price by considering the terms of the contract and business practices that are customary.

c. Determining the timing of satisfaction of services

The Group concluded that revenue from room occupancy is recognized at point over time in the accounting period when the services are rendered, revenue from food and beverages sales to its customers is recognised at point in time when the obligations are performed and other hotel revenue is recognized when such services are rendered.

d. Principal versus agent considerations

During the performance of hospitality services to its customer, the Group involves certain third parties in providing certain services. The Group has concluded that it is a principal in such arrangements as the Group retains the right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf and the Group is primarily held responsible for fulfilling each obligation to the customer.

2.3.13 Borrowing costs

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

2.3.14 Leasing

Where the Group is the lessor

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

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

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

The Group as a lessee

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

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

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

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

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

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

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

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

Subsequent Measurement

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

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

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

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

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

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

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

Sale and leaseback

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

2.3.15 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation according to the relevant ministerial resolution, which states that income from associates and subsidiaries that are previously subject to KFAS & Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labor 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.

2.3.16 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as a decrease from the related expenses on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments.

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

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages this risk by diversifying its investments.

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

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:

	2022	2021
US Dollar	44,224,683	21,863,565
Sterling Pound	11,207,118	12,701,836
Bahraini Dinar	(2,944,467)	(145,391)
Other	24,671,502	19,336,640

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:

	2022		2021	
	Equity	Statement of income	Equity	Statement of income
US Dollar	1,530,090	681,194	574,625	518,553
Sterling Pound	426,082	134,273	499,360	135,732
Bahrain Dinar	6,443	(153,667)	5,938	(13,207)
Other	787,330	446,245	530,760	436,072

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 are exposed to 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.

The Group is exposed to equity price risks arising from equity investments.

Equity investments in unlisted entities (Note 8) are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

The Group's management monitors and manages such risks through: -

- Manage the Group's investments through portfolios managed by specialized portfolio managers.
- Invest in companies' shares that have good financial positions that generate high operating income and cash dividends.
- Investments in unquoted shares and securities should be in companies that carry out similar activities where such investments should be studied and approved by the senior management.
- Periodic follow-up of the changes in market prices.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

- Net profit for the year ended 31 December 2022 would increase/decrease by KD 1,683,616 (increase/decrease by KD 1,166,669) as a result of the changes in fair value of the investments through profit and loss; and

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- Other comprehensive income would increase/decrease by KD 2,873,793 (increase/decrease by KD 1,732,807) as a result of the changes in fair value of the investments through other comprehensive income.

The methods and assumptions used in preparing the sensitivity analysis above have not changed significantly from the prior year.

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, trade receivables. 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:

	2022	2021
Bank balances	5,344,336	9,319,031
Trade receivables & other debit balances	5,409,638	7,549,195
	<u>10,753,974</u>	<u>16,868,226</u>

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

No ECL charged on due from related parties, refundable deposits and other debit balances as of 31 December 2022 and 01 January 2022 due to it is immaterial.

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

31 December 2022

	0-90 days	91-180 days	181-365 days	> 365 days	Total
Gross carrying amount	457,735	293,120	610,275	4,493,275	5,854,405
Lifetime ECL	13,884	11,646	45,489	3,563,091	3,634,110

01 January 2022

	0-90 days	91-180 days	181-365 days	> 365 days	Total
Gross carrying amount	1,739,999	685,766	400,681	5,966,622	8,793,068
Lifetime ECL	254,836	151,427	205,943	5,330,223	5,942,429

C) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. The Group manages liquidity risk by maintaining adequate cash and bank balances and borrowing facilities and by continuously monitoring forecast and actual cash flows.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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.

	2022				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from third party	3,076,767	35,052,869	202,814,295	3,953,514	244,897,445
Accounts payable	767,741	10,875,243	-	-	11,642,984
	2021				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from third party	2,034,781	17,544,583	196,129,159	6,158,760	221,867,283
Accounts payable	741,384	11,126,668	-	-	11,868,052

3.2 Capital risk management

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

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

Under the laws of Kuwait, the Parent Company also appropriates 10% of its net profit to a statutory reserve till it exceeds 50% of the share capital, with restrictions on distribution.

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

The gearing ratio at year end was as follows:

	2022	2021
Financing from third party	220,535,374	204,209,937
Less: cash and cash equivalents	(5,349,916)	(9,324,434)
Net debt	215,185,458	194,885,503
Total equity	313,099,415	312,905,401
Gearing ratio (%)	68.73	62.28

Notes to the Consolidated Financial Statements for the year ended 31 December 2022*(All amounts are in Kuwaiti Dinar unless otherwise stated)***3.3 Fair value estimation**

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

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

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

Financial assets	Fair value as at		Fair value level	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	2022	2021				
Investments at fair value through other comprehensive income						
Quoted shares	464,935	628,102	1	Last bid price	N/A	N/A
Private equity	55,250,956	33,928,249	3	Income approach/ market multiple model / NAV	Cash flow, discount rate, growth rate and / or net asset value	Higher estimated cash flows and lower discount rates, results in higher fair value
Investment funds	1,759,963	99,789	3	Income approach/ market multiple model / NAV	Cash flow, discount rate, growth rate and / or net asset value	Higher estimated cash flows and lower discount rates, results in higher fair value
Investments at fair value through profit or loss:						
Quoted shares	992,417	981,338	1	Last bid price	N/A	N/A
Private equity	32,679,896	22,352,048	3	Income approach/ market multiple model / NAV	Cash flow, discount rate, growth rate and / or net asset value	Higher estimated cash flows and lower discount rates, results in higher fair value

The movement in Level 3 fair value hierarchy during the year is given below:

	2022		2021	
	Through other comprehensive income	Through profit or loss	Through other comprehensive income	Through profit or loss
At 1 January	34,028,038	22,352,048	36,756,564	19,736,990
Purchased	24,789,753	1,262,129	5,657,263	3,143,337
Transferred from advances	-	7,417,524	3,725,338	-
Cost of investments sold	(1,319,913)	-	(11,309,859)	-
Change in fair value	(486,959)	1,648,195	(801,268)	(528,279)
At 31 December	57,010,919	32,679,896	34,028,038	22,352,048

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Fair value of financial assets and liabilities of the Group not measured at fair value on a recurring basis:				
Financial assets:				
- Receivables	5,409,638	5,409,638	7,549,195	7,549,195
- Cash and cash equivalents	5,349,916	5,349,916	9,324,434	9,324,434
	<u>10,759,554</u>	<u>10,759,554</u>	<u>16,873,629</u>	<u>16,873,629</u>
Financial liabilities:				
- Financing from third party	220,535,374	217,674,737	204,209,937	202,500,157
- Payables	15,974,376	15,974,376	16,773,074	16,773,074
	<u>236,509,750</u>	<u>233,649,113</u>	<u>220,983,011</u>	<u>219,273,231</u>

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

4. Significant accounting judgements, estimates and assumptions

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

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

Critical Judgements:

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

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

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

Discounting of lease payments

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

Lease modification - Group as lessor

The Group, as lessor, has deemed that changes in lease contract payments resulting from clauses stipulated under the original contract, applicable law, or applicable regulations are part of the original terms and conditions of the lease agreement, even if the effect of those terms (arising from COVID-19) which not previously contemplated. In this case, there is no amendment to the lease contracts with respect to the purposes of IFRS 16.

Classification of investments

On acquisition of an investment, management uses judgment in assessing the business model within which the assets are managed and also assessing whether the contractual cashflows of the financial asset are related to the solely payment of principal and interest, the Group decides whether it should be classified as "FVTPL" or "FVTOCI".

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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.

Impairment loss on investments

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

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 the entity through its representation in their Board of Directors' by two members out of seven.

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 29).

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.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the investment properties. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The valuations of private equity investments, contingent consideration in business combinations and nonderivative financial assets held for trading are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in (note 3.3).

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).

Impairment of tangible and intangible assets other than "land and properties held for trading"

The Group reviews value in use or the fair value assessment of tangible and intangible assets "other than land and properties held for trading" 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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Impairment of associates

Impairment testing of the associates 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 associates including goodwill Note (7.1).

Land and properties held for trading

The Group reviews the net realizable value of "land and properties held for trading" at each reporting date. Management assesses, whether there is any indication that the net realizable value is below carrying cost. The determination of net realizable value requires considerable judgment and involves evaluating factors including, independent external expert and market conditions which represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Calculation of loss allowance

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

5. Property, plant and equipment

	Land & buildings	Furniture & fittings	Utensils & Furnishings	Office equipment, tools & vehicle	Total
Cost					
Balance at 1 January 2021	26,393,151	12,333,385	3,681,098	2,362,909	44,770,543
Additions	74,827	282,638	-	549,836	907,301
Disposals	-	(60,518)	-	(7,607)	(68,125)
Balance at 31 December 2021	26,467,978	12,555,505	3,681,098	2,905,138	45,609,719
Additions	-	111,686	-	209,290	320,976
Balance at 31 December 2022	26,467,978	12,667,191	3,681,098	3,114,428	45,930,695
Accumulated depreciation					
Balance at 1 January 2021	5,720,740	10,840,980	3,626,754	1,530,211	21,718,685
Depreciation for the year	569,462	213,014	18,991	261,268	1,062,735
Disposals	-	(24,792)	-	(4,667)	(29,459)
Balance at 31 December 2021	6,290,202	11,029,202	3,645,745	1,786,812	22,751,961
Depreciation for the year	569,846	236,103	18,932	359,980	1,184,861
Balance at 31 December 2022	6,860,048	11,265,305	3,664,677	2,146,792	23,936,822
Net carrying value					
As at 31 December 2022	19,607,930	1,401,886	16,421	967,636	21,993,873
As at 31 December 2021	20,177,776	1,526,303	35,353	1,118,326	22,857,758
Useful lives (years)	40	5-10	5	3-6	

6. Investment properties

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

	2022	2021
Balance at 1 January	373,878,195	377,533,432
Additions during the year	297,477	594,638
Change in fair value	(3,502,014)	(4,249,875)
Balance at 31 December	370,673,658	373,878,195

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

The fair value of the Group's investment properties as at 31 December 2022 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 the properties and is classified as Level 3 and The market price method and the fair cost method were also used for some other properties. 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 takes into account the capitalisation of rental income, nature of the property and prevailing market conditions. The average capitalization rate for properties valued using the income capitalization method ranges from 6% to 9.8% (5% to 10.6% - 31 December 2021).

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 284,317,880 as at 31 December 2022 (KD 283,440,860 - 31 December 2021) pledged to local financial institutions as collateral for finance obtained by the Group (Note 18).

Investments properties include the fair value of the right of use Boulevard project which will expire in year 2036.

The balance of lease liabilities is as follows:

	2022	2021
<u>Lease liabilities (non-current)</u>		
Amounts due after 12 months	2,353,486	2,443,452
<u>Lease liabilities (current)</u>		
Amounts due within 12 months – included in other payables	91,001	101,061
	<u>2,444,487</u>	<u>2,544,513</u>

7. Investments in associates

7.1 Financial information

Name of associates	Country of incorporation	Principal activity	Ownership %		2022	2021
			2022	2021		
Hajar Tower Real Estate Co.	Kuwait	Real Estate	27.42	27.42	1,006,515	1,061,332
Kuwait Resorts Co. *	Kuwait	Services	39.95	39.21	11,858,607	11,969,167
Bayan Real Estate Co.	Saudi Arabia	Real Estate	23.56	23.56	4,941,945	4,887,069
Afkar Holding Co.	Kuwait	Holding	19.35	19.35	2,939,215	2,868,355
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	27.42	23.95	3,607,654	3,572,453
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	735,661	775,367
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	9,367,025	9,719,649
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,276,949	4,179,803
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,029,221	1,000,581
Other					987,784	935,069
					<u>40,750,576</u>	<u>40,968,845</u>

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

Kuwait Resorts Company is quoted in an active market and its fair value as at 31 December 2022 is KD 6,115,195 (KD 7,341,170 - 31 December 2021).

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The summarised financial information below is extracted from the associates latest available financial statements prepared in accordance with International Financial Reporting Standards:

Kuwait Resorts Company

	2022	2021
Current assets	2,019,002	6,092,292
Non-current assets	32,466,090	27,737,708
Current liabilities	3,272,750	1,879,703
Non-current liabilities	898,343	767,688
Cash dividends received from associate during the year	220,604	142,786

	2022	2021
Revenue	5,537,333	5,607,365
Profit for the year	2,314,188	1,985,439
Total other comprehensive income	(1,481,709)	1,015,335

Hajar Tower Real Estate Company

	2022	2021
Current assets	35,701,995	18,988,784
Non-current assets	27,056,968	29,603,070
Current liabilities	36,032,713	18,551,106
Non-current liabilities	23,056,081	12,655,766

	2022	2021
Revenue	16,328,375	3,657,544
Profit / (loss) for the year	109,445	(4,105,633)

Al Jahra Tourism Company

	2022	2021
Current assets	10,161,411	7,342,430
Non-current assets	13,345,820	17,128,336
Current liabilities	1,053,749	987,722
Non-current liabilities	1,778,980	1,836,714

	2022	2021
Revenues	7,028,889	5,750,678
Profit for the year/ total comprehensive income	3,500,806	2,584,972
Adjustment - The effect of unified accounting policies	(2,173,823)	(2,155,441)
Profit for the year/ total comprehensive income	1,326,983	429,531

Bayan Real Estate Company

	2022	2021
Current assets	456,753	694,448
Non-current assets	20,608,329	20,256,866
Current liabilities	76,084	149,358
Non-current liabilities	11,348	57,248

	2022	2021
Revenue	-	6,765
Profit for the year	(112,508)	(214,818)
Total other comprehensive income	-	-

Vacation Club Venture Company

	2022	2021
Current assets	14,534,208	14,207,754
Non-current assets	225,332	224,582
Current liabilities	503,045	499,662
Non-current liabilities	-	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2022*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

	2022	2021
Revenue	13,399	13,67
Loss for the year	(14,457)	(15,247)
Total other comprehensive income	-	-

Kuwait Commercial Markets Complexes Company

	2022	2021
Current assets	4,592,451	5,265,609
Non-current assets	14,171,524	16,863,517
Current liabilities	5,584,916	4,437,709
Non-current liabilities	22,325	2,266,532

	2022	2021
Revenue	2,323,567	2,011,253
(Loss)/ profit for the year	(1,772,787)	634,446
Total other comprehensive income	(2,030,763)	1,131,838

Aggregate information of associates that are not individually material

	2022	2021
The Group's share in Profit/(loss)	92,023	(129,585)
The Group's share of other comprehensive (expense)/income for the year	36,643	(3,077)
The Group's share of total (expense)/income for the year	128,666	(132,662)
Aggregate carrying amount of the Group's interest in these associates	5,691,881	5,579,372

	31 December 2022	31 December 2021
Balance as the beginning of the year	40,968,845	44,180,790
Additions during the year	152,854	431,177
Group's share in associates' results	(2,231,348)	(632,934)
Group's share in associates' reserves	(1,094,853)	1,438,076
(Losses) on sale of investments of FVTOCI	(13,021)	(68,208)
Translation of foreign currencies	254,169	(129,216)
Reversal / (impairment) related to investment in associates	3,634,018	(3,634,018)
Adjustment of associates financials	(3,136)	-
Share of other reserves in associates	251,733	-
Cash dividends	(1,168,685)	(616,826)
	<u>40,750,576</u>	<u>40,968,845</u>

8. Investment at FVOCI

	2022	2021
Investment in quoted shares	464,935	628,102
Investment in private equities managed by others	55,250,956	33,928,249
Investment funds	1,759,963	99,789
	<u>57,475,854</u>	<u>34,656,140</u>

The fair values of investments, other than quoted shares, were determined by reference to the investment's managers reports as set out in note 3.3.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

9. Land and properties held for trading

	2022	2021
Balance as at 1 January	13,350,610	13,544,514
Additions	3,597,342	1,669,207
Cost of sales during the year	(28,607)	(1,426,846)
Reversal of impairment	134,085	11,302
Impairment	(47,293)	(447,567)
Balance as at 31 December	<u>17,006,137</u>	<u>13,350,610</u>

The net relizable 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.

Lands and properties held for trading includes lands in Kingdom of Bahrain amounting to KD 4,536,497 registered in the name of a related party, but assigned in the name of the Parent Company.

10. Investments at fair value through profit or loss

This represent mainly investment in private equities managed by others. The fair values of such investment were estimated as set out in note 3.3.

11. Receivables and other debit balances

	2022	2021
Trade receivables	5,854,405	8,793,068
Provision for expected credit losses	(3,634,110)	(5,942,429)
	<u>2,220,295</u>	<u>2,850,639</u>
Advance payments for acquisition of investments	66,250	7,417,524
Advance payment for purchase of land	-	3,708,068
Advances to contractors and suppliers	524,793	462,288
Prepaid expenses	172,733	175,936
Refundable deposits	339,091	337,966
Other debit balances	3,050,435	4,360,590
	<u>4,153,302</u>	<u>16,462,372</u>
Provisions	(238,274)	(397,303)
	<u>3,915,028</u>	<u>16,065,069</u>
	<u>6,135,323</u>	<u>18,915,708</u>

Aging of lease receivables provided under note (3.1) Financial risks.

Movement of provision for expected credit losses for the year:

	2022	2021
Balance as at 1 January	5,942,429	5,181,225
Provided during the year	15,944	807,708
Reversal of provision for Expected credit losses	(87,213)	(19,338)
Write off	(2,237,050)	(27,166)
Balance as at 31 December	<u>3,634,110</u>	<u>5,942,429</u>

12. Cash and cash equivalents

	2022	2021
Cash in hand	5,580	5,403
Cash at banks and financial institutions	2,465,432	9,019,031
Deposits with financial institution	2,878,904	300,000
	<u>5,349,916</u>	<u>9,324,434</u>
Less: deposits with financial institution more than 3 months	-	(300,000)
Cash and cash equivalent for cash flow	<u>5,349,916</u>	<u>9,024,434</u>

The profit rate for the deposit is 4.10-2.50% (2.1% - 2021)

Notes to the Consolidated Financial Statements for the year ended 31 December 2022*(All amounts are in Kuwaiti Dinar unless otherwise stated)***13. Share capital**

The authorized, issued and paid up capital of the Parent Company amounted to KD 184,069,975 comprises of 1,840,699,751 shares with a nominal value of 100 fils each, fully paid up in cash as of 31 December 2022 (KD 184,069,975 distributed over 1,840,699,751 shares as of 31 December 2021).

14. Treasury shares

	2022	2021
Number of shares	93,381,034	68,159,268
Proportion to issued shares (%)	5.07	3.70
Market value	9,039,284	8,315,431
Cost	9,554,851	6,796,105

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 17,791,323 shares are held by a subsidiary as of 31 December 2022 (15,940,621 shares 31 December 2021).

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 not to transfer any amount of the net profit for the year to the voluntary reserve.

17. Other reserves

	Change in fair value reserve	Group's share in associates' reserves	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Treasury shares Reserve/ sale of treasury shares	Total
Balance as at 1 January 2021	(1,837,668)	992,967	5,547,886	367,175	282,476	5,352,836
Total comprehensive (losses)/ income	(349,921)	1,435,930	-	(129,216)	-	956,793
Sale of investment at FVOCI	(180,749)	-	-	-	-	(180,749)
In-kind dividends from treasury shares	-	-	-	-	489,947	489,947
Balance as at 31 December 2021	(2,368,338)	2,428,897	5,547,886	237,959	772,423	6,618,827
Balance as at 1 January 2022	(2,368,338)	2,428,897	5,547,886	237,959	772,423	6,618,827
Total comprehensive (losses)/ income	(726,310)	(1,063,687)	-	254,169	-	(1,535,828)
Sale of investment at FVOCI	(22,097)	-	-	-	-	(22,097)
In-kind dividends from treasury shares	-	-	-	-	9,071	9,071
Balance as at 31 December 2022	(3,116,745)	1,365,210	5,547,886	492,128	781,494	5,069,973

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

18. Financing from financial institutions

Financing from financial institutions represent murabaha and tawaruq contracts from banking institutions inside Kuwait.

Financing from third parties are analysed as follows:

	<u>2022</u>	<u>2021</u>
Current portion	29,545,772	14,499,617
Non-current portion	190,989,602	189,710,320
	<u>220,535,374</u>	<u>204,209,937</u>

The movements of financing from financial institutions

	<u>2022</u>	<u>2021</u>
Balance as the beginning of the year	204,209,937	211,574,810
Received	40,280,000	46,020,000
Paid	(23,947,963)	(53,392,171)
Foreign currency	(6,600)	7,298
Balance as the end of the year	<u>220,535,374</u>	<u>204,209,937</u>

Average cost of financing from third parties is 3.0% as at 31 December 2022 (2.70% - 31 December 2021).

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

The Group obtained finance against pledge of 245,697,583 shares as of 31 December 2022 (245,697,583 shares - 31 December 2021) of Al Salmia Group (subsidiary) in addition to the following assets:

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	20,187,908	20,799,587
Investment properties (Note 6)	284,317,880	283,440,860

19. Payables and other credit balances

	<u>2022</u>	<u>2021</u>
Trade payables	687,883	617,885
Due to related party (Note 27)	88,555	102,020
Retentions	920,187	916,440
Accrued expenses	2,677,505	2,633,210
Rent received in advance	547,444	479,724
Deposits from others	3,601,803	3,540,900
Kuwait Foundation for the Advancement of Science (KFAS)	261,902	184,894
National Labor Support Tax	277,854	388,792
Zakat	72,799	129,901
Dividends payable to shareholders	372,868	357,726
Other payables *	6,465,576	7,421,582
	<u>15,974,376</u>	<u>16,773,074</u>

* Other credit balances include lease liabilities of KD 91,001 due within 12 months (KD 101,061 - 2021).

20. Net income from operating activities

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Real estate rental income	26,156,537	23,605,863
Hotel and hospitality revenues	2,855,214	1,653,596
Sale of land and properties held for trading	615,000	17,994,996
	<u>29,626,751</u>	<u>43,254,455</u>
Operating expenses		
Property expenses	(5,238,508)	(4,621,468)
Hotel and hospitality expenses	(2,720,772)	(2,061,213)
Cost of selling lands	(28,607)	(1,426,846)
	<u>(7,987,887)</u>	<u>(8,109,527)</u>
	<u>21,638,864</u>	<u>35,144,928</u>

- Hotel expenses include an amount of KD 872,753 that represents the current year depreciation of the hotel building and related equipments (KD 779,475 - 31 December 2021).

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between one to five years, with the option of renewal for similar periods. All operating lease contracts contain contractual terms relating to the revision of the lease value to reflect the market value in case the tenant uses the option of renewal. The lessee does not have an option to purchase the property at the expiry of the lease period.

21. Gain from investments

	2022	2021
Investment at FVOCI		
Cash dividends	2,492,729	1,869,931
Investments at fair value through profit or loss		
Change in fair value – gain / (loss)	1,659,275	(279,779)
Cash dividends	253,148	290,986
Gain from sale	-	10,530
	<u>1,912,423</u>	<u>21,737</u>
	<u>4,405,152</u>	<u>1,891,668</u>

22. Gain on sale of land and properties held for trading

	2022	2021
Sale of land and properties held for trading	615,000	17,994,996
Cost of sell land and properties held for trading	(28,607)	(1,426,846)
	<u>586,393</u>	<u>16,568,150</u>

23. Provision and impairment

	2022	2021
Reversal / (impairment) related to investment in associates	3,634,018	(3,634,018)
Impairment related to advance payment for purchase of lands and others	(238,274)	(397,303)
Net movement in provision for credit losses of lease receivables	71,269	(788,370)
	<u>3,467,013</u>	<u>(4,819,691)</u>

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

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares to be issued upon conversion of all dilutive potential ordinary shares into ordinary shares. The Parent Company had no diluted shares as at 31 December 2022/2021.

	2022	2021
Net profit for the year attributable to the shareholders of the Parent Company	12,479,693	12,537,227
Weighted average number of outstanding shares (share)	<u>1,759,468,756</u>	<u>1,770,486,198</u>
Basic earnings per share (fils)	<u>7.09</u>	<u>7.08</u>

25. Investments in subsidiaries

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

Company name	Activity	Country of incorporation	Shareholding percent (%)	
			2022	2021
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.77	77.59
Commercial Real Estate Development Co.	Real Estate	Kingdom of Bahrain	100	100
Commeriale Real Estate Development Co.	Real Estate	Morocco	100	100
Al-Salmiya Group for Project Development Company	Real Estate	State of Kuwait	81.9	81.90

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Summary of the financial statements of the Group's subsidiaries where there is material NCI is as follows:

Salmiya Group for Project Development Company

	2022	2021
Current assets	10,374,719	3,956,684
Non-current assets	61,200,000	66,000,000
Current liabilities	2,357,204	1,816,804
Non-current liabilities	13,757,730	11,702,836
Equity attributable to shareholders of the Parent Company	45,420,888	46,221,255
Non-controlling interests	10,038,897	10,215,789
	2022	2021
Revenue	1,975,134	1,384,499
Expenses	(2,059,567)	(1,859,588)
Loss for the year	(84,433)	(475,089)
Loss for the year attributable to shareholders of the Parent Company	(62,869)	(389,094)
Loss for the year attributable to non-controlling interests	(21,564)	(85,995)
Total comprehensive losses attributable to shareholders of the Parent Company	(28,576)	(443,331)
Total comprehensive losses attributable to non-controlling interests	(13,985)	(97,982)
Total comprehensive losses for the year	(42,561)	(541,313)
Net cash flow generated from operating activities	5,169,241	3,259,881
Net cash flow (used in) /generated from investing activities	(7,249,318)	(1,751,738)
Net cash flow used in financing activities	1,149,048	(2,542,472)
Net change in cash and cash equivalents of the subsidiary	(931,032)	(1,034,329)

Al Mutajara Real Estate Company

	2022	2021
Current assets	10,492,432	12,526,754
Non-current assets	74,783,359	67,778,413
Current liabilities	1,640,984	1,804,139
Non-current liability	22,066,000	18,155,000
Equity attributable to shareholders of the Parent Company	48,172,346	47,364,623
Non-controlling interests	13,396,461	12,981,405
	2022	2021
Revenue	4,703,752	3,039,212
Expenses	(1,390,458)	(683,598)
Profit for the year	3,313,294	2,355,614
Profit for the year attributable to shareholders of the Parent Company	2,381,082	2,075,583
Profit for the year attributable to non-controlling interests	932,212	280,031
Total comprehensive income attributable to shareholders of the Parent Company	2,512,156	1,972,617
Total comprehensive income attributable to non-controlling interests	969,651	250,288
Total comprehensive income for the year	3,481,807	2,222,905
Dividends paid to non-controlling interests	454,494	455,311
Net cash flow used in operating activities	2,738,822	(397,216)
Net cash flow (used in)/ generated from investing activities	(5,287,612)	3,738,986
Net cash flow generated from / (used in) financing activities	973,046	(1,271,855)
Net change in cash and cash equivalents of the subsidiary	(1,575,745)	2,069,915

Notes to the Consolidated Financial Statements for the year ended 31 December 2022*(All amounts are in Kuwaiti Dinar unless otherwise stated)***26. Dividends**

On 11 April 2022, the ordinary Assembly General Meeting was held and approved the distribution of cash dividends to the shareholders recorded as of the due date at 5% after deduction of treasury shares, for the year ended 31 December 2021 (cash dividends of 3% per share and 2% bonus share from the treasury shares "2 treasury shares per 100 shares" as of 31 December 2020).

Proposed dividends 2022

The Parent Company's Board of Directors proposed cash dividend of 3% after deduction of treasury shares and 3% bonus share from treasury shares (3 treasury shares per 100 shares) for the year ended 31 December 2022. This proposal is subject to the shareholders' approval at the Annual General Assembly Meeting and the regulatory authorities.

27. 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 Parent Company has representatives in their board. Significant related party transactions and resulting balances were as follows:

	2022	2021
Transactions		
Key management remuneration	896,625	979,341
Operating income	76,144	21,235
Operating expenses and other charges	349,335	423,751
Purchase of property, plant and equipment	54,532	363,360
Investment at fair value through profit or loss	935,860	3,063,099
Advance payment for acquiring of investments	-	7,356,458
Balances		
Payables and other credit balances (Note 19)	88,555	102,020
Key management remuneration	634,923	497,573

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.

28. Capital commitments

	2022	2021
Uncalled capital – investments	1,706,550	1,532,272
Contracts for projects under development	1,847,283	1,972,266
	<u>3,553,833</u>	<u>3,504,538</u>

29. Contingent liabilities

	2022	2021
Letter of guarantee	4,160,488	3,759,088

30. 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 for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

	2022			
	Real estate sector	Hotel	Investment sector	Total
Revenue	23,356,315	2,855,214	5,807,822	32,019,351
Direct cost	(6,406,546)	(2,720,772)	(482,005)	(9,609,323)
Gross profit	16,949,769	134,442	5,325,817	22,410,028
Unallocated costs				(9,019,687)
Net profit				13,390,341

	2021			
	Real estate sector	Hotel	Investment sector	Total
Revenue	36,914,719	1,653,596	1,258,734	39,827,049
Direct cost	(8,127,467)	(2,061,213)	(4,268,557)	(14,457,237)
Gross profit	28,787,252	(407,617)	(3,009,823)	25,369,812
Unallocated costs				(12,638,549)
Net profit				12,731,263

Geographic distribution

	2022			
	State of Kuwait	Gulf Countries	Other	Total
Total income	16,055,874	1,849,854	2,555,942	20,461,670
Total expenses	(6,296,033)	(537,022)	(238,274)	(7,071,329)
Net profit	9,759,841	1,312,832	2,317,668	13,390,341

	2021			
	State of Kuwait	Gulf Countries	Other	Total
Total income	30,468,301	(248,203)	1,617,530	31,837,628
Total expenses	(13,532,000)	(5,574,365)	-	(19,106,365)
Net profit	16,936,301	(5,822,568)	1,617,530	12,731,263

Geographic distribution of assets and liabilities

	Assets		Liabilities	
	2022	2021	2022	2021
State of Kuwait	417,628,851	426,986,757	234,319,570	217,702,220
Gulf countries	63,514,477	63,345,919	5,638,665	6,677,455
Other	71,914,322	46,952,400	-	-
	553,057,650	537,285,076	239,958,235	224,379,675

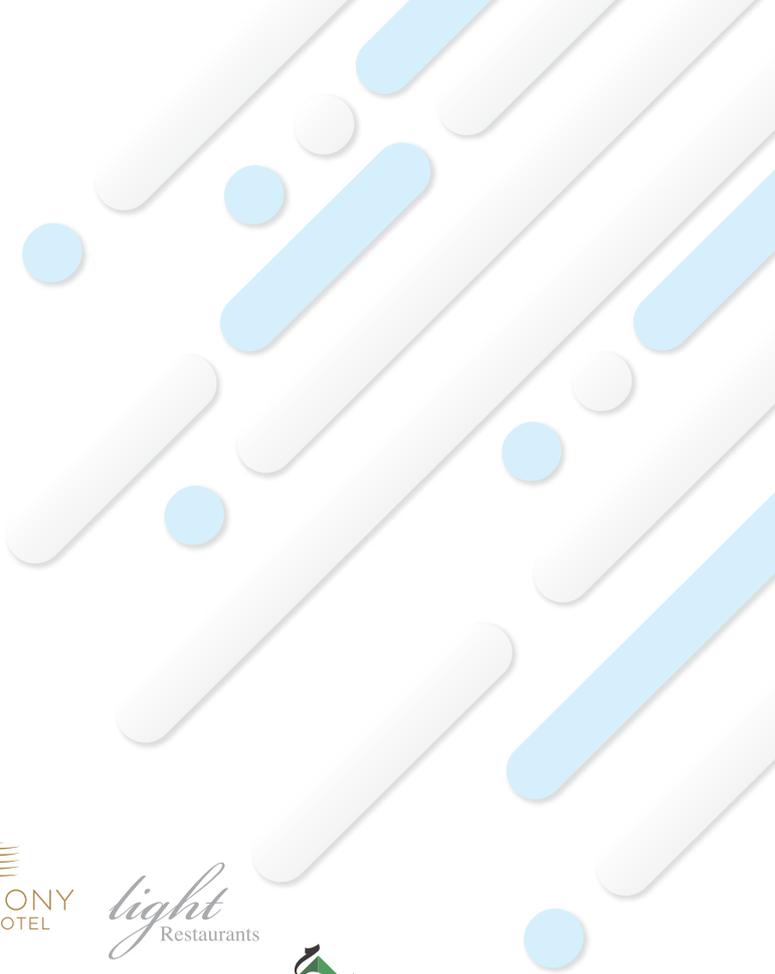
31. Other expenses

During 2021 the parent company has detected a cyber-intrusion into the e-mail network, which is a fraud of correspondence and documents. Necessary measures are being taken by the technical and legal department to track the hacking process in coordination with the official authorities to protect the rights of the parent company and its shareholders.

Where the parent company submitted a complaint to the Cybercrime Department in the United Arab Emirates and in the State of Kuwait to the Public Prosecution (Prosecution for Media, Information and Publication Affairs) of a case of financial fraud by forgery in electronic correspondence to transfer money worth 54,000,000 UAE dirhams (fifty-four million UAE dirhams), equivalent to 4,428 million Kuwaiti Dinars (four million four hundred twenty-eight thousand Kuwaiti Dinars) for investment in Dubai.

An investigation is underway and legal measures are being taken by the judicial authorities, as the parent company is striving to recover the amount to protect its rights.

The matter is still under investigation by the Public Prosecution Office in Kuwait and the United Arab Emirates.



الوكالة المسماة بـ: مجموعة السامبا للتطوير
AL SAMBA GROUP FOR ENTERPRISE DEVELOPMENT CO. K.S.C.C.

SYMPHONY
STYLE MALL



مجمعات سكنية للشقق المفروشة
SYMPHONY FURNISHED APARTMENTS

قاعة بوليفارد
Boulevard Ballroom



شركة المتاجرة
AL MUTAJARA
Real Estate Co. K.S.C.C.



شركة التجارة
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زرع شجرة في بلدي
PLANT A TREE IN MY COUNTRY



THATCHER
Complex



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