



ANNUAL REPORT

2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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



His Highness
Sheikh Mohammad Sabah Al-Salem Al-Sabah
Prime Minister of the State of Kuwait

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Board of Directors



Abdulfatah M R Marafie
Chairman of the Board



Adwan Mohammad AlAdwani
Vice Chairman of the Board



Eng. Ibrahim M AlGhanim
Board Member



Hussain Abdullah Johar
Board Member



Abdulaziz Mubarak Al Hasawi
Board Member



Eng. Abdulmutaleb A. M. Marafie
Board Member



Talal Jassim Al Bahar
Board Member



Yousef Yagoub Al Awadhi
Board Member

Executive Management

1	Eng. Abdulmutaleb A. M. Marafie	Chief Executive Officer (CEO)
2	Saleh Ahmad AlAryan	CEO - HR & Legal Affairs Group
3	Eng. Yousef Ghazi Al-Saqabi	CEO - Technical Affairs Group
4	Mohammad Haider Ghadhanfari	Deputy CEO - HR & Legal Affairs Group
5	Adil Marhoum	Deputy CEO –Property Affairs Group
6	Fuad Hasan Zarour	Accounting Department Manager
7	Walid Youssef Wizani	Finance & Strategic Planning Department Manager
8	Ahmad Abbas Shakib	Investment Department Deputy Manager

Duties, Responsibilities, Authorities & Achievements of the Executive Management

The company's activities are carried out by the executive management under the supervision and guidance of the chief executives 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.
3. Preparing periodic reports (financial and non-financial) on the progress made in the company's activity considering the company's strategic plans and objectives, and presenting them to the Board of Directors.
4. Developing an integrated accounting system that maintains books, records and accounts that reflect the financial statements and income accounts in a detailed and accurate manner, thus allowing preservation of the company's assets and preparation of financial statements approved by the Supervisory Board.
5. Managing the daily work and optimally managing all activities, human and financial resources, maximizing profits, minimizing expenses, and achieving goals and company strategy.
6. Participating efficiently in building and developing a culture of ethical values in the Company.
7. 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.
8. Providing the necessary information and reports to the Board of Directors in a timely, accurate and comprehensive manner.
9. Submitting recommendations regarding the strategy and plans followed for improvement and development through well-thought-out plans to ensure their efficiency and effectiveness.
10. Commitment to apply the authorities and responsibilities granted in accordance with the approved system.
11. Submitting periodic reports on the executive management's exercise of the authorities delegated by the Board.
12. Submitting proposals and recommendations in the light of applying 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.
13. 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 2023, the Executive Management carried out its tasks and responsibilities in accordance with the authorities.

Chairman's Message



**May the peace, blessings, and mercy of Allah be upon you,
Dear Valued Shareholders,**

It gives me great pleasure, for myself and on behalf of members of the Board of Directors and all employees in the Commercial Real Estate Co. (Al-Tijaria), to welcome you to the annual meeting of the General Assembly, and begin our meeting by thanking Allah, the Almighty, for the results we have achieved, and I would like to express my sincere thanks and gratitude for your trust and your continuous support, which represents the key motivation to exert maximum effort to achieve the company's goals and strategies.

Moreover, we are pleased to place in your hands the company's annual report on the consolidated financial statements for the financial year ending on December 31, 2023, through which we present the results of the year 2023 and its remarkable achievements. It also shows the efforts made by your brothers to develop performance and achieve the desired goals to ensure the interest of shareholders.

Dear shareholders,

Your brothers on the Board of Directors have been keen to follow up on the implementation of strategies and achieve unlimited ambitions. By the Grace of Allah, and thanks to preparation, study and continuous follow-up, the Company was able to achieve net profits amounting to 14,423,931 KD (Only fourteen million, four hundred and twenty-three thousand, nine hundred and thirty-one Kuwaiti dinars) with an increase of 15.6% compared to the previous year. The return on shareholders' equity reached 4.95%, with an increase of 15%, and the return on consolidated profits to total assets was 2.87%, with an increase of 18.6%, and the return on the company's paid-up capital was 7.84%, with an increase of 15.6% compared to the previous year.

During the year 2023, the company also achieved growth in revenues from operating activities and investment income. It should be noted that the increase in financing costs by 69% had a negative impact on the company's net profits for the year 2023.

Based on the achieved results, the Company's Board of Directors recommended distributing cash dividends at a rate of 4% of the nominal value of the share and distributing bonus shares (from treasury shares) at a rate of 2% (2 treasury shares for every 100 shares). The Board of Directors' recommendations regarding the distribution of dividends was developed based on well-studied foundations and methodology in accordance with the future vision of the projects and the company's operating revenues, with the aim of creating added value for shareholders.

Dear shareholders,

The company always seeks to raise its direct and indirect investments and projects to meet your ambitions and aspirations, and also seeks to maintain continuous growth rates and enhance profit margins; taking into account the political conditions facing the world and the region and their repercussions on the local, regional and global economy which requires doubling the effort and increasing caution in searching and acquiring opportunities while continuing the policy of conservation, which was and still one of pillars of the company's Board of Directors' strategies.

Therefore, the company has maintained diversity of its real estate and investment portfolio in terms of the size, nature of the portfolio and geographical distribution. Despite the lack of opportunities, we continue to monitor the global markets in the United States, Europe and GCC in an effort to search for investment opportunities in the real estate sector that achieve lucrative returns, as we strongly believe that balanced investment paves the way for growth and success.

The goal is always to maintain a sustainable and stable investment portfolio for the future. This is in addition to developing existing properties to enhance and increase their revenues.

It should be noted to what the company is developing to enhance its vital role in the field of social responsibility and its keenness to implement the principles of corporate governance.

A group of events were held during 2023 under the slogan "We Care," including the "Blood Donation Campaign," the "Rafad Campaign" to distribute food to needy families, "A Sunshine of Hope" for people with special needs, and the "Plant a Tree in My Homeland" Campaign, which aims to encourage concern for the environment for a healthier future, the company is also committed to sustainable development, in which it works by contributing positively in three main areas: education, society and the environment, to adopt practices with an effective social impact.

The sustainability report published annually since 2020, as we continue applying environmental, social, and governance standards (ESG) while creating long-term value for stakeholders, economically, socially, and environmentally, ensuring that all our corporate social responsibility initiatives are aligned with the sustainable development goals issued by the United Nations Global Compact.

Dear shareholders,

At Al-Tijaria Real Estate, we believe in the solidity of the company's assets and financial position, and our mission is to ensure the company's continuity and leadership in the field of the real estate industry in the State of Kuwait in light of commitment to a low-risk strategy that ensures alignment between cost and added value and achieving returns and cash flows in a way that meets the company's obligations and shareholders' aspirations and translates them into executable annual business plans and follow-up to accomplish tasks, in accordance with our plans, authorities and responsibilities.

In conclusion, I extend my sincere thanks to you for your great trust, which means motivation and support for our journey, and I invite you to advise us with your sound opinions, as we are accustomed to from you, so that they combine with our efforts and our continuous endeavor to achieve the desired goals.

As we have become accustomed to you, 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, the Almighty, to protect Kuwait and its people from all harm under the leadership of His Highness the Amir Sheikh / Mishal Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Prime Minister, Sheikh Dr. Mohammad Sabah Al-Salem Al-Sabah, may Allah protect and keep them safe.



Abdulfatah M.R. Marafie
Chairman of the Board

Company's Achievements and Projects:



Al-Tijaria Tower (Offices - Mall)

Al-Tijaria Tower is considered one of the most important projects of Al-Tijaria Real 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 (37) floors for offices in addition to (4) floors for commercial shops. Its height is (218) meters and 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 which 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 Kuwait Symphony Style Hotel.



Light Restaurants

The Light project is 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 globally 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 core site of the project is the central area, which contains a dancing fountain with a stunning view and an open multipurpose 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 the sea. "Dine Zone Restaurants" area is (17.378) square meters, 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, three duplex apartments (Penthouse) consisting of four bedrooms, 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 Al-Tijaria Real Estate 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 surrounded by beautiful gardens and a children's playroom



Boulevard Ballroom

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 was opened in the last quarter of 2019. The wedding hall is in 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 weddings, which gives the bride a sense of privacy, luxury and pampering to prepare her for the night of her life. The ballroom 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.

Al-Tijaria 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

State of Kuwait	Al-Mutajara Real Estate Company Al-Salmiya Group for Enterprise Development Company
Kingdom of Bahrain	The Commercial Real Estate Development Company
Kingdom of Morocco	The Commercial Real Estate Development Company

Associates Companies

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

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. Symphony Tower was awarded the Best Residential Tower Design award at African and Arab Property Awards - 2017 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.



بوليفورد
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 tourist 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 embraces a wide lake and stunning lake through its wide green park, in addition to other facilities, on top of which is Boulevard Complex, which includes a village of first-class restaurants overlooking the lake in addition to a large number of sports spaces and equipped 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 first prominent 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 financial 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, authorities 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 the implementation of the best practices. The governance guide clarified the formation, tasks, authorities 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 authorities that defines the authority of the executive management, the committees derived from the board and the board of directors itself.

During 2023, Al-Tijaria committed to applying all governance standards in accordance with best practices and submits relevant reports to the regulatory authorities on the specified dates. The Corporate Governance Committee and the Board of Directors also supervised the implementation process through periodic reports submitted to the Committee and the Board through the Compliance and Governance Department. The Board did not detect any deviations in the approved policies and rules or supervisory instructions regarding governance applications.

First Rule - Build a Balanced Board Structure

Summary about the formation of the Board of Directors

The Board of Directors consists of eight members; their term of membership 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 developing the company's vision, mission, objectives, and general strategy to achieve the shareholders' goals. The Board must also work to avoid conflicts of interest, with priority always being in favor of the company. The Board of Directors is committed to forming its committees within the framework of the requirements of the rules of governance, considering 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 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) 45 years in the real estate, banking and investment sectors	11th April 2021
2	Adwan Mohammad Al-Adwani	Vice Chairman of the Board (Non-executive)	Bachelor's degree in English Language and Literature 48 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 45 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 42 years in the real estate, hospitality, services, investment and development sectors	11th April 2021
5	Abdulaziz Mubarak Al Hasawi	Board Member (Independent)	Bachelor of Business Administration 37 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 24 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 18 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) 18 years in the banking, investment, education and real estate sectors	11th April 2021
*	Iman Amine El Mokaddem	Board's Secretary	Bachelor of Business Administration 24 years in the field of office management, executive management secretarial and senior management & compliance governance	11th April 2021

Dates and attendance of the Board meetings 2023

The Board of Directors was formed on April 11th, 2021, and the Board held 6 meetings in 2023

#	Members, Positions & Classification	13th February	13th March	14th May	14th August	13th November	26 December	Attendees	Percentage
1	Abdulfatah M. R. Marafie Chairman of the Board (non-executive)	✓	✓	✓	✓	✓	✓	6	100%
2	Adwan Mohamad Al-Adwani Vice Chairman of the Board (non-executive)	✓	✓	✓	✓	✓	✓	6	100%
3	Eng. Ibrahim M AlGhanim Board Member (non-executive)	✓	✓	✓	✓	✓	✓	6	100%
4	Hussain Abdullah Johar Board Member (non-executive)	✓	✓	✓	✓	✓	✓	6	100%
5	Abdulaziz Mubarak Al Hasawi Board Member (Independent)	✓	✓	✓	✓	✓	✓	6	100%
6	Eng. Abdulmutaleb A M Marafie Board Member (Executive)	✓	✓	✓	✓	✓	✓	6	100%
7	Talal Jassim Al Bahar Board Member (non-executive)	✓	✓	✓	✓	✓	✓	6	100%
8	Yousef Yagoub Al Awadhi Board Member (non-executive)	✓	✓	✓	✗	✓	✓	5	83%
-	Iman Amine El Mokaddem Board's Secretary	✓	✓	✓	✓	✓	✓	6	100%

Coordination of board meetings, recording and monitoring minutes of meetings

The Board of Directors is committed to discussing any topics included on the meeting agendas with the utmost transparency, provided that the members are given all information that allows for decision-making, and the decisions taken and all facts, including qualifications, are recorded in the minutes of the meeting (if any).

Mrs. Iman Amine El Mokaddem was re-appointed as Secretary of the Board of Directors from among the company's employees in her capacity as the Chairman's Office Dept. 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 includes 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 the board meetings, records, books, and reports submitted to and from the board.
4. Signing the minutes of the board meetings by the secretary and all the attending members of the board of directors.



وزارة التجارة و الصناعة

Ministry of commerce and Industry



إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه عبد العزيز مبارك عبدالعزيز الحساوي
بطاقة مدنية (أو جواز سفر لغير المقيم) رقم AW11111111111111111111
والمرشح كعضو مجلس إدارة مستقل لدى شركة
(السرعة 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 عبدالعزيز الحساوي

التاريخ: 2024 / 3 / 18

التوقيع:

Second Rule - Proper identification of tasks and responsibilities

Duties and Responsibilities of the Board of Directors

The company's board of directors sets all the controls and authorities necessary for management and this authority is only limited by what is stipulated by law, the company's articles of association or the decisions of the general assembly. 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.

The following is an overview of how the company determines the policy of the tasks, responsibilities, and duties of each of the members of the Board of Directors and the Executive Management, as well as the authorities that are delegated to the Executive Management.

It includes the following tasks and responsibilities of the Board of Directors:

1. Approving the important objectives, strategies, plans, and policies of the company, as a minimum, the following shall be included:
 - 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.
 - Objectives of performance and monitoring the implementation and comprehensive performance in the Company. Adopting the organizational and functional structures in the company and conducting periodic review thereof.
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 to allow proper decision-making process and achieve the principles of corporate governance and separating of responsibilities and authorities between the Board of Directors and the Executive Management. Accordingly, the Board of Directors must:
 - Approve 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.
 - Approve a policy of delegation and implementation of the work entrusted to the executive management.
12. Determining the authorities 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 authority.
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 that 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.
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.
 - Approving the codes 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 integrate 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 2023, the Board of Directors accomplished its tasks and responsibilities in accordance with the approved authorities. 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 Risk And Audit 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

1. 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.
2. The 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.
3. 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 authorities granted to it during this period, and how the board of directors monitors them with absolute transparency.
4. 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

1. To have the appropriate capabilities and qualifications, sufficient experience and honesty to perform the tasks and responsibilities.
2. To be Familiar with the financial, accounting, and administrative rules for membership of the Audit and Risk Committee.
3. To not have a direct or indirect interest in the business and contracts made for the company's account.
4. The members 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

1. The number of members of each committee shall not be less than three and not more than five.
2. 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.
3. The Board of Directors appoints a replacement member if the position of one of the committee members becomes vacant.
4. 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.
5. The Chairman of the Board of Directors may not be a member of any of the committees imposed by the Capital Markets Authority on listed companies, except for the Nominations and Remuneration Committee.
6. Both the Remuneration and Nominations Committee and the Audit Committee must have at least one independent member.
7. The Chairman of both the Risk Committee and the Audit Committee must be a non-executive member.
8. Executive members are prohibited from joining the Audit Committee.
9. The members of the Audit Committee must include at least one member with academic qualifications and/or practical experience in the accounting and financial fields.

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. The committee's duties and responsibilities include:

1. Reviewing and initial approval of the governance report in accordance with building a balanced structure for the Board of Directors and presenting it to the Board of Directors for final approval.
2. Reviewing and initial approval of the Governance Manual in accordance with the requirements received from the Capital Markets Authority and other regulatory authorities before submitting it to the Board of Directors for final approval.
3. Reviewing and initial approval of the Compliance and Governance Management Policies and Procedures Manual before submitting it to the Board of Directors for final approval.
4. Reviewing and initial approval of the Compliance and Governance Department work plan before submitting it to the Board of Directors for final approval.
5. Supervising the implementation of the principles and frameworks of governance that have been approved by the Board of Directors in accordance with the Governance Manual.
6. 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 to develop and implement new standards and practices.
7. Forming subcommittees and work teams by decision of the committee chairman alone or by the committee members together to carry out specific tasks that will provide support and assistance for the optimal application of governance principles and frameworks and increase awareness among employees of the importance of governance goals and requirements.
8. Supervising the preparation and the initial plan of the social responsibility plan and submitting thereof to the Board of Directors for final approval.
9. Following up on implementation of the social responsibility plan.
10. Supervising the preparation of the annual social responsibility report and submitting thereof to the Board of Directors for final approval.
11. Coordinating with the Compliance and Governance Department to ensure compliance and optimal application of the Commercial Governance Manual procedures.
12. Informing the Board of Directors of the latest developments, decisions and laws issued by the various regulatory authorities.
13. Reviewing the report of the cases filed by and against the company, verifying their causes and the current situation, and making recommendations thereon.
14. Carrying out any other responsibilities entrusted to the Committee by the Board of Directors in accordance with the approved system of authority.

During the year 2023, the committee carried out its tasks and responsibilities in accordance with delegated authorities.

Dates and Attendance of The Governance Committee

The Governance Committee was formed on April 11, 2021, the Committee held 2 meetings in 2023

#	Members' names and positions	1-2023 12th March	2-2023 25th December	Attendees	Percentage
1	Abdulfatah M. R. Marafie - Chairman (Non-Executive)	✓	✓	2	100%
2	Hussain Abdullah Johar - Vice Chairman (Non-Executive)	✓	✓	2	100%
3	Adwan Mohammad Al-Adwani - Member (Non-Executive)	✓	✓	2	100%
4	Yousef Yaqoub Al-Awadhi - Member (Non-Executive)	✓	✓	2	100%
-	Iman Amine El Mokaddem - Rapporteur / 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. Follow up compliance with governance requirements.
4. Providing the members of the Board of Directors and the executive management with all the company's disclosures.
5. Governance Manual update (Ninth Edition)
6. Compliance and governance management plan
7. Updating disclosure and transparency policies and procedures
8. Compliance and governance management policies and procedures

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 Four 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 in carrying 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 in respect of them. Furthermore, it works on managing the risks that the company may be exposed to, setting the necessary controls to mitigate them, determining the risk appetite of the company and the acceptable ratios thereof compared to the expected benefits, and submitting relevant recommendations to the Board of Directors.

Some of tasks thereof:

1. Reviewing the interim and annual financial statements and report of the external auditor and approving them in principle before submitting them to the Board for final approval to ensure fairness and transparency of the financial reports.
2. Follow-up on 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 impair its independence.
3. Studying the external auditors' observations on the company's financial statements and following up on actions 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. Technical supervising the internal audit task, reviewing and approving the scope and periodicity of the audit task in order to verify its effectiveness in carrying out the work and tasks specified by the Board of Directors.
7. Reviewing the internal audit reports of the company's various departments, discussing the observations received on them, taking corrective decisions, determining the persons responsible for their implementation, and the expected timeframe for implementation.
8. Evaluate the adequacy and effectiveness of the company's internal control systems and prepare a report that includes the committee's opinion and recommendations in this regard.
9. Preparing and reviewing risk management strategies and policies before they are approved by the Board of Directors and ensuring that these strategies and policies are implemented and that they are commensurate with the nature and size of the company's activities.
10. Follow up on the implementation of agreed-upon corrective actions according to a specific schedule.
11. Reviewing the reports of the regulatory authorities and ensuring that the necessary measures have been taken regarding them.
12. Reviewing the reports of the Shari'a Supervisory Board before submitting them to the Board of Directors for approval.
13. Reviewing and initial approval of the policies and procedures manuals for the Internal Audit and Risk management Departments.
14. Ensuring the company's compliance with the relevant laws and instructions.
15. Recommending the appointment, transfer, and dismissal of the Director of Internal Audit and evaluating his performance and the performance of the Internal Audit Department.
16. Recommending the Board of Directors to appoint, reappoint or change the external auditors and determine their fees. When recommending appointment, care must be taken to ensure their independence and review their appointment letters.

17. Reviewing deals and transactions with related parties and making appropriate recommendations thereon to the Board of Directors.
18. Holding periodic meetings with the external auditor at least four times annually, as well as when needed at the request of the committee.
19. Ensuring the availability of adequate resources and systems for risk management, reviewing the organizational structure for risk management, and making recommendations regarding it before it is approved by the Board of Directors, verifying that risk management staff have a full understanding of the risks surrounding the company, and ensuring their independence from operational activities.
20. Studying and submitting of recommendations to the Board regarding ensuring periodically the effectiveness and adequacy of the internal control systems in place 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 Board 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.
21. 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; and ensure that the company does not exceed the risk appetite approved by the Board of Directors.
22. Studying and reviewing the company's risk assessment reports and the measures taken to reduce or confront risks within the acceptable and approved risk ratios of the company in exchange for the expected benefits and submit these reports to the company's board of directors.
23. Reviewing risk management strategies and policies before approval by the Board of Directors and ensuring that they are consistent with the company's activities.
24. 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.
25. Reviewing the remarks raised by the Audit and Risk Committee that may affect the company's 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 authorities.

During the year 2023, the committee carried out its tasks and responsibilities in accordance with its authorities.

Dates and attendance of the Audit and Risk Committee meetings
The Audit and Risk Committee was formed on April 11th, 2021, and held 9 meetings in 2023

#	Members	1-2023	2-2023	3-2023	4-2023	5-2023	6-2023	7-2023	8-2023	9-2023	Attendees	Percentage
		12 th February	12 th March	13 th March	14 th May	1 st August	14 th August	12 th November	13 th November	25 th December		
1	Eng. Ibrahim M Al Ghanim Chairman (non-executive)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
2	Adwan Mohammad Al- Adwani Vice Chairman (non-executive)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
3	Abdulaziz Mubarak Al Hasawi Member (Independent)	✓	✗	✓	✓	✗	✓	✓	✓	✓	7	78%
4	Yousef Yagoub Al Awadhi Member (non-executive)	✓	✓	✓	✓	✓	✗	✗	✓	✓	7	78%
*	Hosam Samir Habib Rapporteur	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
*	Rawan Jalal Sabah Secretary	✓	✓	✓	✓	✓	✓	✓	✓	✗	8	89%

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. Preparing the annual audit committee report and evaluating the internal control systems.
2. Review and recommend the approval of the interim and annual financial statements in accordance with the committee meetings in the presence of the external auditor.
3. Discussing and approving the internal audit plan.
4. Discussing internal audit reports, taking corrective actions, and following them up.
5. Discuss and approve the risk management plan, risk assessment reports, and risk operations record.
6. Review and recommend approval of updates to risk appetite and risk strategies.
7. Reviewing and recommending the approval of policies and procedures for relevant departments such as internal audit, risk, accounting and finance.
8. Recommending the appointment/reappointment or change of the external auditor. Ensure their independence and review the appointment letter.
9. Recommending the appointment/reappointment of an audit office to prepare a report on internal control systems (ICR) annually.
10. Recommending the appointment of an audit office to prepare a report on the quality of internal audit work (QAR) every three years.
11. Annual evaluation of the auditor, risk management, executive management and director of internal audit.
12. Other regulatory matters such as information security, IT auditing and recommending the appointment of ISO consulting services.

Remuneration and Nominations Committee

Formation requirements, objectives, tasks, responsibilities, authorities 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 authorities:

1. Recommending the acceptance of the nomination and re-nomination of the members of the Board of Directors and the Executive Management.
2. Developing a clear policy for remuneration for members of the Board of Directors and Executive Management, with an annual review of the required needs of skills appropriate for membership in the Board of Directors, studying and reviewing those requests, and determining the different segments of remuneration that will be granted to employees, such as the fixed remuneration segment, the performance-related remuneration segment, and the remuneration segment in the form of Shares, a tranche of end-of-service rewards, and setting up a system of incentives and rewards by evaluating the performance of both managers/executive management and company employees.
3. Developing job descriptions for executive members, non-executive members, independent members and the CEO.
4. Ensure that the independent member of the Board of Directors does not lack independence aspect.
5. 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.
6. Follow up the performance of members of the Board of Directors and Executive Management according to objective performance indicators (KPIs).
7. Approving the scope of work of the company's departments and divisions.
8. Initial approval of the annual employment plan in accordance with the company's needs and the recommendations of executive management to be submitted to the Board of Directors for final approval.
9. Initial approval of a plan to rotate and replace executive positions to be submitted to the Board of Directors for final approval.
10. Provide recommendations to the Board of Directors to appoint members of the executive management and vacant leadership positions in accordance with approved policies and standards in a manner that does not conflict with the instructions and regulating laws.
11. Identify the strengths and weaknesses of the Board of Directors through self-evaluation and recommend taking the necessary measures to correct any failures in proportion to the company's interest.
12. Supervising the preparation of the training plan for all company employees and monitoring its implementation.
13. Supervising the turnover rate of employees to measure the degree of belonging to the company.
14. Approving the company's job grades and salaries' structure.
15. Display periodic updating of the organizational structure according to administrative decisions related to administrative changes and dependencies.
16. Supervision and initial approval of the insurance mechanism for risks related to the professional liability of members of the Board of Directors and executive management.
17. Carrying out any other responsibilities assigned to the committee by the Board of Directors in accordance with the approved system of authorities.

Dates & Attendance of the Remuneration and Nominations Committee

Remuneration and Nomination Committee was formed on April 11, 2021
The Committee held 2 meetings in 2023

#	Members	1-2023 13th March	2-2023 25th December	Attendee	
1	Talal Jassim Al-Bahar - Chairman (Non-Executive)	✓	✓	2	100%
2	Adwan Mohammad Al-Adwani - Vice Chairman (Non-Executive)	✓	✓	2	100%
3	Abdulaziz Mubarak Al Hasawi - Member (Independent)	✓	✓	2	100%
-	Nadia Attallah Ali Huraish- Rapporteur of the Committee*	✓	✓	2	100%
-	Fayouz Mahmoud Chahine - Secretary of the Committee	✓	✗	1	50%

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 accurate and timely information and data

1. 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.
2. As for the documents of the Council and committee meetings, they are provided with an electronic copy that they can keep permanently for reference when needed or necessary.
3. In the event that one, a number, or all members of the Board of Directors request any information, data, or reports, whether during Board of Directors meetings, committee meetings, or through e-mail, by official letter, or by telephone, coordination will be made with the relevant department to prepare the required requirements/information/reports and present them to Chairman of the Board of Directors for review and then send it to the members at the next meeting for discussion or as soon as possible according to the following:
 - Reports are characterized by brevity, accuracy, and materiality in presenting information, so that the information and data presented in the report are very comprehensive and consistent, and that they are material and important information that facilitates the decision-making process.
 - Periodic presentation of reports, where the report is updated with the latest information and developments and is prepared according to specific and sequential time frames and submitted at the appropriate time (three days before the meeting, excluding emergency meetings) to ensure sufficient time is available to study the information.
4. The infrastructure of information technology systems is constantly being developed, especially reporting systems, to ensure that all reports are prepared with a high degree of quality and accuracy and are submitted to the members of the Board of Directors in a timely manner.

Third Rule - 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.

1. Policy of remuneration and incentives granted to members of the Board of Directors:

- The total estimated remuneration may not exceed 10% of net profits (after deducting depreciation, reserves, and dividend distribution of not less than 5% of the capital or any higher percentage stipulated in the company's articles of association).
- The company's general assembly has the right to exempt the independent board member from the maximum mentioned remuneration.
- The Remuneration and Nominations Committee is responsible for proposing recommendations regarding the remuneration of members of the Board of Directors and submits its recommendations or not to the Board of Directors for approval, which in turn presents them to the General Assembly to decide on them.
- The Remuneration and Nominations Committee is responsible for proposing recommendations regarding the remuneration of members of committees emanating from the Board of Directors and submitting its recommendations to the Board for approval.

2. Rewards and incentives policy granted to executive management and managers:

- Bonuses are linked to all performance levels of the company's employees.
- The rewards must be consistent with the company's strategy and objectives in the short and long term.
- The rewards should be commensurate with the experience and qualifications of the company's employees at various job levels, the company's size and nature, and the risks to which it is exposed.
- Linking rewards to the soundness of the company's operations and financial position.
- Balancing the salary and bonus structure to ensure factors that attract qualified people are in line with the company's business, activities, and business results appropriately, fairly and without exaggeration.
- The reward system for executive management considers the environment in which the company operates, the results it achieves, and the degree of the company's risk tolerance. It includes the following main components:

A. Fixed remuneration

- Fixed remuneration is determined in the company, considering the level of responsibilities assigned and the career path specified in the company.
- Fixed remuneration and end-of-service are contractually agreed upon as compensation for their skills, competencies and experience used to perform their job role and in accordance with the requirements of the Labor Law in the Private Sector and other relevant regulatory requirements.
- Fixed remuneration is reviewed periodically to re-evaluate the total remuneration package, market conditions, and performance at the individual and company levels in general.
- Fixed remuneration, including salaries, allowances and benefits, are determined within the salary and job grade structure approved by the company's Board of Directors.

B. Variable remuneration

- Variable remunerations are linked to the process of achieving pre-set goals and managing risks effectively.

- This type of remuneration is designed to motivate. Variable bonuses are allocated based on individual performance and the company's overall performance.
- Variable remuneration is offered in cash or in the form of shares if the company decides to adopt a stock options system. This matter is determined annually by the Nominations and Remuneration Committee before being approved by the Board of Directors.
- The company's variable remuneration system is based on the process of determining performance indicators for executive management. By adhering to these indicators, the value of the variable bonuses due to members of the executive management is determined, and these bonuses are distributed based on individual performance.

C. Balance between fixed and variable remunerations

- The company ensures that there is an appropriate balance between fixed and variable rewards, in order to be able to reduce variable rewards in the event of weak or negative financial performance. The percentage of fixed and variable remuneration is reviewed and determined annually by the Board of Directors based on the recommendation of the Nominations and Remuneration Committee.
- The Remuneration and Nominations Committee is responsible for setting the remuneration policy for the company's executive management, and its goal is to achieve a balance between competitive remuneration in the market to retain talent and develop current and future shareholder returns.
- The Remuneration and Nominations Committee works to benefit from analytical tools, qualitative and quantitative procedures, and studies provided by external companies specialized in the process of formulating rewards offers and incentive programs for the company's executive management, including annual performance rewards and short- and long-term incentives (upon request).
- In addition to this, the company has a system to monitor and evaluate the performance of the company's executive management and employees.

3. Procedures and mechanism for disbursing rewards and incentives:

- Evaluation forms (key performance indicators, goal indicators, and annual evaluation) are filled out for all the company's employees and approved by the company's CEO, in accordance with the procedures stipulated in the group's human resources management policies and procedures, and in accordance with the forms approved by the Remuneration and Nominations Committee and the Board of Directors.
- The Remuneration and Nominations Committee submits its recommendation to the Board of Directors for approval, either by distributing a percentage of the company's net profits or using the available allocation allocated to the company from previous years.
- The Board of Directors authorizes the Chairman of the Board of Directors or the CEO of the company to disburse these bonuses according to what it deems appropriate in terms of the method of disbursing them and the date of their distribution.

Remunerations and benefits of the Board of Directors and the Executive Management for the financial year ending 31/12/2023

		Rewards and benefits for members of the Board of Directors* for the financial year ending on 31/12/2023 (Kuwaiti Dinars)														
		Rewards and benefits through the mother Company						Rewards and benefits through the Subsidiaries								
Total number of the members	8	Fixed Rewards and benefits			Variant Rewards and benefits			Fixed Rewards and benefits			Variant Rewards and benefits					
		Health Insurance	Life Insurance	Professional Liability Insurance	Annual Bonus	Board Members Remuneration	Committees Reward	Monthly Salary	Annual Leaves	End of Service indemnity	Health Insurance	Life Insurance	Professional Liability Insurance	Car Allowance	Board Members Remuneration	Committees Reward
		-	-	2,600	-	128,000	-	61,241	59,866	-	1,020	650	7,200	3,000	-	300,000

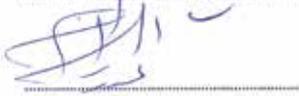
		Total remunerations and benefits granted to five senior executives who received the highest remunerations, in addition to the Chief Executive Officer and the Finance Manager or whoever replaces them if they are not among them* for the fiscal year ending on 31/12/2023 (Kuwaiti Dinars)														
		Rewards and benefits through the mother Company						Rewards and benefits through the Subsidiaries								
The total number of executive positions	6	Fixed Rewards and benefits			Variant Rewards and benefits			Fixed Rewards and benefits			Variant Rewards and benefits					
		Monthly Salaries	Annual Leave	End of Service indemnity	Health Insurance	Life Insurance	Professional Liability Insurance	Annual Bonus	Monthly Salaries	Annual Leave	End of Service indemnity	Health Insurance	Life Insurance	Professional Liability Insurance	Car Allowance	Board Members Remuneration
		43,341	16,033	820	1,701	1,950	13,270	20,634	2,860	-	410	41	1,300	-	10,000	3,500

*All details, segments, and types of rewards and benefits granted by Al- Tijaria Real Estate Company and its subsidiaries during the year 2023 have been added. The company did not record any essential deviations from the remuneration policy approved by the Board of Directors.

Fourth Rule - Ensure the Integrity of Financial Reports

Acknowledgment and pledge (safety and integrity of financial statements) For the financial year ending on 31/12/2023

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 (IAS) applied in the State of Kuwait and approved by the Supervisory Board, and that they express the company's financial position As on December 31, 2023, 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 of the Board	
Adwan Mohammad Al-Adwani	Vice Chairman of the Board	
Eng. Ibrahim M Alghanim	Board Member	
Hussain Abdullah Johar	Board Member	
Abdulaziz Mubarak Al Hasawi	Board Member	
Eng. Abdulmutaleb A. M. Marafie	Board Member	
Talal Jassim Al Bahar	Board Member	
Yousef Yagoub Al Awadhi	Board Member	

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

We, the undersigned, acknowledge and undertake the safety and integrity of the financial reports of the Commercial Real Estate Company, which cover all financial aspects of data and operational results as per our knowledge, and in accordance with International Financial Reporting Standards (IFRS), and that the consolidated financial statements of the Al Tijaria Real Estate Company express fairly in all material respects, the financial position as of December 31, 2023, bearing in mind that the company's financial statements consist of:

- 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 notes to the consolidated financial statements.

Abdulmutaleb A. M. Marafie
CEO & Board Member

Fuad Hasan Darwish
Accounting Department
Manager

Walid Youssef Wizani
Finance and Strategic planning
Department Manager



**Annual Report of the Annual Audit Committee
For the financial year ending on 31/12/2023**

Dear Shareholders,

On my own behalf and on behalf of committee members, I am pleased to present to you the Audit Committee's report on the work of the financial year ending on December 31, 2023, which includes its evaluation of the internal control and risk management systems and ensuring their effectiveness within the framework of the committee's responsibilities in accordance with the requirements of the executive regulations of the Capital Markets Authority Law (Corporate Governance Book). The committee played its role in the field of internal audit, control and risk management, and held periodic meetings during the year with the aim of assisting the company's board of directors in performing its duties and responsibilities.

Accordingly, the company's departments and divisions carry out their work in accordance with policies and procedures within the limits of the authorities granted and approved. In the field of control, the Risk, Compliance, Governance, Finance and Strategic Planning Department directs and assists the rest of the departments and divisions in monitoring risks and improving control and compliance. The Internal Audit Department also conducts independent reviews and discusses deficiencies in the application of controls and corrective measures thereon. The company has appointed an independent external audit office to submit an annual report on the evaluation of internal control systems. The results are discussed by the relevant committees, especially the Audit and Risk Committee and the Governance Committee, and recommendations are presented to the Board of Directors.

Opinion of the Audit and Risk Committee

Based on the tasks we have performed, and the confirmations and disclosures obtained from executive management, it has been confirmed that the internal control procedures are considered reasonably adequate in material respects and to a degree that balances cost and benefit. Given the risks inherent in any internal control system, it is not possible to provide absolute assurance that there are no control weaknesses. Please note that no violations were detected by the relevant regulatory authorities and no financial or non-financial penalties were applied to the company.

The Audit and Risk Committee confirms that all of the committee's recommendations submitted to the company's Board of Directors during the financial year ending on December 31, 2023, and up to the date of preparing this report have been approved, and the committee has not detected any conflict between its recommendations and the decisions of the Board of Directors.

Kind Regards,



Eng. Ibrahim M AlGhanim
Head 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, considering the following:

- Ensuring the independence and impartiality of the external auditor from the company and its board of directors.
- The annual ordinary general assembly appoints the company's auditor based on the proposal of the Board of Directors, considering 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, and not carrying out additional work for the company, except for review 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. Empowering the external auditor 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.

Fifth Rule - Apply Sound Systems of Risk Management and Internal Audit

Roles and Responsibilities of the Risk Management Unit

The company has established an independent unit for risk management on the organizational structure, which maintains a complete independence, as it reports directly to the Audit and Risk Committee. In addition to appointing a specialized consulting office to carry out risk management work, the Commercial Real Estate Company is keen on risk management as an essential aspect of the company's strategic management. The company manages the risks and according to the philosophy of "Risk management is everyone's responsibility", therefore company has been keen to adopt a set of regulating policies and procedures to mitigate the risks associated with its activities, with the aim of achieving a balance between the degrees of risk tolerance and the expected return from each individual activity and then all of the company's activities in general. Continuing implementation of the company's conservative risk management policies over the past years, the company was eager to develop risk management policies and strategies and work to diversify its investments in terms of sectors and geographical locations. This diversification ensures to reduce the amount of exposure to market and concentration risks. In addition to following different methods to deal with the types of surrounding risks to which the company's business may be exposed, by transferring risks, sharing risks, avoiding risks or accepting controllable risks, and developing mitigation plans and reducing them in accordance with the objectives, returns, and cost-effective standards of the risk management process.

The company has worked to integrate the culture and tendency of risk management within the company's work environment through an effective policy and defining responsibilities within the company for every manager and employee to incorporate the concept and responsibilities of risk management as a part of the daily work's tasks. This leads to accountability and efficient performance across all functional levels, groups and departments of the company.

An overview of the application of the requirements for forming a risk management committee

The Board of Directors formed the Audit and Risk Management Committee and approved its charter to meet the requirements for formation, roles, meetings, and their periodicity. The Audit and Risk Committee assists the Board of Directors in setting the strategy and general framework for risk management and supervising the implementation of this strategy by executive management, in addition to following up on the reports submitted by the party appointed to carry out risk management activities related to identifying, measuring, analyzing, and treating the risks associated with the company's activities. This is to ensure that the appropriate and effective corrective measures are taken to manage these risks to reduce their impact to the company's acceptable limits.

The committee also submits its periodic reports to the Board of Directors to ensure that the Board is informed of the types of risks to which the company may be exposed, and the measures taken to achieve the desired objectives within acceptable levels of risks. Below a list the types of potential risks and threats to which the company may be exposed according to the nature of its business and some of the precautionary measures taken by the company to ensure mitigation of those risks and preventing their occurrence or reducing their impact. These risks do not necessarily exist, but there is a possibility of them to seem if the vital measures are not taken to mitigate them.

	Risks That May Expose The Company	Risk Management Strategies
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 2023 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 and flow of business.</p>
Operational 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 authorities 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>The company's operations comply 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>Specialized in risk management in order to verify the risks of the company's compliance with all laws and instructions issued by various regulatory authorities and provide the Board of Directors with periodic reports on the extent of the company's compliance.</p> <p>The company also prepared a comprehensive guide that includes all instructions, procedures, and policies for applying governance standards, and it was circulated to the relevant company employees to ensure efficient application and compliance.</p> <p>Training plans approved by the Board of Directors have also been developed to ensure that all employees are familiar with the requirements for compliance with laws and instructions and how to apply them. The company's contracts are subject to legal review by the company's legal advisor, in addition to contracting with specialized law firms for assistance 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. 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 Ethical Work Charter to ensure that the company's employees adhere to the ethics and principles of the tolerant Islamic Sharia in line with the company's directions.</p> <p>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>

Illustrative Summary for 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 company's activities and departments. This is done by adopting a set of policies, procedures and organizational structures and regulations include (proper definition of authorities and responsibilities - complete separation of duties and no conflict of interests - double examination and control - double signature). The Board of Directors follows up the internal control systems through periodic reports issued by the committees and departments, as the Board of Directors periodically verifies their impartiality and efficiency. The supervisory departments enjoy the necessary independence that allows them to carry out their work accurately and efficiently. It also ensures the provision of the human cadres necessary to carry out the work, which are characterized by experience and efficiency. In the event of any observations by any of the company's supervisory committees or departments, the Council takes immediate corrective action through the following channels:

- Preparing the Sharia Supervision Board's report on an annual basis.
- Preparing an annual report on the evaluation and review of internal control systems (ICR Report).
- Preparing the Internal Audit Review and Evaluation Report (Intern Audit - QAR Report) every three years.
- Audit and Risk Committee.
- Preparing periodic reports by independent departments (Internal Audit Department - Risk Management Unit - Compliance and Governance Department).

A summary statement on implementing the requirements for forming an independent department/office/unit for internal audit

Al-Tijaria, in the field of internal audit relies on an independent department created for internal audit purposes. 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 during periodic meetings with Internal Audit and follows up on taking the necessary corrective actions regarding the observations contained in the reports.

خطاب الرأي

السادة/ أعضاء مجلس الإدارة المحترمين
الشركة التجارية العقارية ش.م.ك
دولة الكويت
تحية طيبة وبعد،

الموضوع: تقرير حول السجلات المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية عن السنة المنتهية في 31 ديسمبر 2023

بناء على خطابكم الخاص بتكليفنا بفحص سجلاتكم المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية لشركة التجارة العقارية ش.م.ك عن السنة المالية المنتهية في 31 ديسمبر 2023 فقد قمنا بفحص وتقييم نظم الرقابة الداخلية للشركة وقد تضمن الفحص الإدارات التالية:

- وحدة ادارة المخاطر
- ادارة الالتزام والحوكمة
- ادارة الإستثمار
- وحدة علاقات المستثمرين
- الإدارة المالية والتخطيط الإستراتيجي
- إدارة الموارد البشرية والشؤون الإدارية
- إدارة الشؤون القانونية
- إدارة تقنية المعلومات
- ادارة المرافق
- ادارة المشاريع وضبط المشاريع
- قسم شؤون المساهمين
- إدارة التدقيق الداخلي
- إدارة التسويق والاتصال
- إدارة العقار

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 مسئولون عن إرساء نظم الرقابة الداخلية مع الأخذ في الاعتبار المنافع المتوقعة والتكاليف المتوقعة 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 القصور 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 2023 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 الملحقين الثاني والثالث في هذا التقرير.

وتفضلوا بقبول فائق الاحترام والتقدير،



كريستون الكويت مكتب عبد اللطيف جوهر
وشركاء محاسبون قانونيون

مراقب حسابات مرخص رقم 142 فئة "أ"



الكويت في 10 مارس 2024



Dar Al-Reqabah
For Islamic Consultations

بسم الله الرحمن الرحيم

تقرير الهيئة الشرعية

خلال الفترة من 2023/01/01م إلى 2023/12/31م

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 2023/12/31م، 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 فتتخصر في إبداء رأي مستقل في مدى التزام الشركة بذلك بناء على تدقيقنا. لقد قمنا بتدقيقنا الذي يتطلب منا تخطيط وتنفيذ إجراءات التدقيق والحصول على جميع المعلومات 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.

الشيخ يوسف محمود علي

عضواً

أ.د. بدر عبد الرزاق الماص

عضواً

أ. د. سيد محمد الطبطبائي

رئيس الهيئة الشرعية

DRIC
P.O. Box 4125 Safat
Code No. 113042 Kuwait
Tel.: 22461141

reqabah@gmail.com - info@dar-alreqaba.com

https://dar-alreqaba.com

دار الرقابة
للإستشارات الشرعية
ص.ب. ٤١٢٥ الصفاة
الرمز ١١٣٠٤٢ الكويت
هاتف ٢٢٤٦١١٤١

Sixth Rule - Promote Professional Conduct and Ethical Values

Charter of Standards and Determinants of Professional Conduct and Ethical Values

Establishing a culture of professional behavior and ethical values within the company enhances investor confidence in the company's integrity and financial soundness, as the commitment of all company employees, whether members of the board of directors, executive management, or other employees, to the company's internal policies and regulations and legal and regulatory requirements, will lead to achieving the interests of all. Parties related to the company, especially shareholders, without conflict of interest and with a high degree of transparency. The Charter of Professional Conduct and Ethical Values is the charter of work values in Al-Tijaria and includes professional ethics and behavioral controls that must be followed by members of the Board of Directors, executive management, and employees of the company in accordance with the principles, teachings and ethics of the Nobel Islamic Sharia, and includes goals, 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 framework 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 category 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 business and job tasks and does not lead, directly or indirectly, to obstructing or impeding the achievement of goals.
12. Ensuring 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 follows conservative policies to limit conflicts of interest, whether at the level of executive management and company employees or at the level of board members:
- The company established conflict of interest policy, which was approved by the Board of Directors.
- The company is committed to having members of the Board of Directors, executive management and employees sign conflict of interest acknowledgments in accordance with the relevant forms.

Policies regarding conflicts of interest include the following:

- **Company obligations:**
 1. The company is committed to effectively managing and addressing potential conflicts of interest cases to ensure the actual implementation of operational and administrative processes and ensuring that all conflicts of interest cases are discovered and dealt with in a timely manner.
 2. The company is committed that none of its stakeholders will obtain any advantage through its dealings in contracts and deals that fall within the company's normal activities.
 3. The company determines a clear mechanism for awarding contracts and deals of various types, through tenders or various purchase orders.
 4. This policy applies to the company and its subsidiaries and to the Board of Directors and Executive Management, in a manner that does not violate the company's rules and standards of professional conduct in cases where a conflict of interest affects the interests of the company, stakeholders, and related parties.
 5. The Compliance and Governance Department is responsible for informing the Board of Directors, the Executive Management and various departments of the company of any decisions, laws or instructions regarding cases of conflict of interest and procedures for dealing with them.
- **Board of Directors' obligations:**
 1. The Board of Directors is committed to the company's responsibility for following the best standards of professional conduct and appropriate mechanisms to avoid or limit the occurrence of conflicts of interest, and to review cases of potential interests related to any member of the Board of Directors and determine procedures for dealing with them.
 2. Members of the Board of Directors and Executive Management are responsible for adhering to this policy while participating in transactions, contracts, or private investments for their personal account, whether with the company or others.
 3. A member of the Board of Directors is obligated not to be a member of more than five public joint stock companies based in Kuwait, or a Chairman of the Board of Directors in more than one joint stock company based in Kuwait, and his violation of this condition will result in the invalidation of his membership in companies that exceed the prescribed number according to the recentness of his appointment therein; the consequences that result from that, without prejudice to the rights of third parties in good faith. In the event of a violation of this condition, he is obligated to return to the company in which his membership has been revoked any rewards or benefits that he may have obtained.
 4. A member of the Board of Directors is committed not to exploit the information that he has accessed or viewed by virtue of his position for his personal benefit or to obtain a benefit for himself or for others, and not to make any kind of disposition in the shares of the Commercial Real Estate Company throughout the duration of his membership except after obtaining the approval of the Capital Markets Authority with his knowledge of the rules that regulate the trading of board members in the company's shares and the method of disclosing them.
 5. A member of the Board of Directors is obligated not to disclose to shareholders other than the General Assembly meetings or to third parties what he has learned of the company's secrets by virtue of his position. Otherwise, he must be removed and held accountable for compensation for damages resulting from the violation. He must also not disclose information and data related to the company except in cases where it is permitted. For disclosure or according to legal requirements.
 6. A member of the Board of Directors is committed not to combine his membership in the Board of Directors of the Commercial Real Estate Company with any company competing with it in the same field or areas of activity, or to participate in any work that would compete with the company, or to trade for his own account or for the account of others in one of the branches of activity practiced by the company, otherwise it may demand compensation from him or consider the operations he carried out on his behalf as if they were conducted for the company's account, unless this is with the approval of the Ordinary General Assembly on all or some of the above.
 7. A member of the Board of Directors is obligated to provide the Board of Directors Secret Service with an updated copy of the CV immediately if any amendment occurs.

8. A member of the Board of Directors shall undertake that neither he, his wife, nor his second-degree relatives shall have a direct or indirect interest in the contracts and transactions concluded with or on behalf of the company unless it is authorized by the Ordinary General Assembly. In this case, he is obligated to disclose the interest to the Board of Directors and abstain from voting.
9. A member of the Board of Directors is obligated not to participate in voting on the decisions of the General Assembly regarding the discharge of members of the Board of Directors from their management, or those related to a special benefit for him, his wife, or his first-degree relatives, or an existing dispute between them and the company.
10. A member of the Board of Directors is committed not to use the functional influence of the position to achieve a private interest or any personal gain for himself or others.
11. A member of the Board of Directors is obligated not to participate in discussing, expressing an opinion, or voting on any issues presented to the Board of Directors in which he has a direct or indirect common interest with the company.
12. A board member is obligated to disclose to the Board of Directors any common interests he has with the company, whether directly or indirectly.
13. A member of the Board of Directors is obligated to inform the Board of Directors of his personal interest in the business and contracts carried out on behalf of the company, and this notification shall be recorded in the minutes of the meeting. In this case, he is not permitted to participate in voting on the decision issued in this regard.
14. The company may not lend to any of the members of its board of directors, the CEO, their spouses, their relatives up to the second degree, or their subsidiaries companies, unless there is authorization from the ordinary general assembly of the company. Any action taken in violation of that shall not be carried out against the company, without prejudice to the rights of bona fide third parties.
15. The Board of Directors is committed to verifying that none of the potential parties exploits the company's assets and resources or the authorities granted to them in transactions to achieve personal interests.
16. The Chairman of the Board of Directors shall inform the General Assembly when it convenes of 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.

- **Obligations of the executive management and company employees:**

1. Not engaging in any activities that might lead to a conflict between the company's interests and his personal interests.
2. Disclosure to the Chairman of the Board of Directors and to the Compliance and Governance Department and Risk Management Department of any significant or influential stake in any company that supplies equipment or services to the company whether for himself, his wife, or his first- and second-degree relatives, the relevant committee and the Board of Directors will be informed to take the necessary action. He also pledges to adhere to the policies of transactions with related parties, conflicts of interest, and the instructions of the regulatory authorities in this regard.
3. There is no direct or indirect interest that conflicts with the company's interests in the contracts and deals concluded with the company or for its account, whether for himself, his wife, or his first- or second-degree relatives.
4. In the event of appointing, promoting, or rewarding any employee, complete impartiality must be considered in the event of a connection or relationships linking the decision maker to the employee and under the supervision and control of a neutral party or by the competent committee in accordance with the policies followed and approved by the Board of Directors. The company defines the term "close personal relationships" as including first- and second-degree kinship and any other relationships that may affect the employee's ability to make impartial decisions while exercising the duties assigned to him in the company.
5. Knowing that Al-Tijaria's policy prohibits employees from accepting paid/unpaid jobs with any other company, as the employment contracts with the company document this prohibition, the violation of which would expose the violating employee to strict disciplinary procedures, including termination of service. Also to obtain the approval of government agencies or competent authorities before recruitment of part-time employees.

Seventh Rule - Accurate and timely disclosure and transparency

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

1. Al-Tijaria adopts a policy of disclosure and transparency by its Board of Directors and Executive Management towards shareholders and stakeholders on the one hand and towards the concerned and regulatory authorities in compliance with the laws and regulations followed in the State of Kuwait on the other hand through:
 - Disclosure of material information.
 - Financial and other disclosures in accordance with the regulation of dealing in securities for insiders and listed companies.
 - Disclosure of interests for both beneficiaries and listed companies.
 - Disclosure regarding the interests of the Board of Directors and abstaining from voting on such agenda items.
 - Preparing a register that includes all transactions with related parties that have been disclosed, and shareholders have the right to obtain a copy of the register.
 - Commitment to what is stated in the Authority's executive regulations and what is stated in Book Ten "Disclosure and Transparency" and the relevant annexes. For this purpose, a disclosure and transparency policy was prepared and approved by the Board of Directors.
2. Transparency creates an atmosphere of trust and reassurance internally and externally and ensures the elimination of conflicts of interest with relevant parties/relationships. Transparency also ensures clear communication between shareholders, the Board of Directors and executive management, and creating an effective credibility in the work environment, which is a responsibility borne by all parties. Al-Tijaria is committed to following all laws, regulations and instructions related to disclosure issued by various regulatory and supervisory bodies in a timely manner, out of its belief in the importance of transparency in enhancing the confidence of shareholders and stakeholders and preserving the company's reputation in the markets in which it operates.

Record the 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. 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 Affairs Department.

Duties and Responsibilities of the Shareholder Affairs Section

The Shareholder Affairs Section of Al-Tijaria Company is responsible for making available and providing the necessary information to shareholders regarding shareholder records, as well as maintaining 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 the company. The Shareholder Affairs Section is entrusted with providing information to shareholders in many ways by responding to their inquiries in a transparent manner. The Section follows up on the delivery of all financial dues to shareholders by the easiest means and makes sure to invite the company's shareholders to attend the general assemblies.

Duties and Responsibilities of the Investors Relations Unit

The Investor Relations Unit of the commercial company is the entity responsible for making available and providing the necessary data, information and reports to potential investors in a timely and accurate manner through recognized means of disclosure, including the company's website. This is with the aim of providing services that are in line with the instructions issued by the regulatory authorities. The unit is committed to holding a conference - on a quarterly basis - for analysts within 5 days of issuing the interim or annual financial statements. The analyst conference meeting is called as part of the disclosure of the results of the interim and annual financial statements sent to the Capital Markets Authority and the Kuwait Stock Exchange.

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

Material information is disclosed by the company making the 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.

The company's official website contains everything of interest to shareholders and potential investors, as it includes the following sections:

A. Corporate governance, which includes the following topics:

1. Committees derived from the Board of Directors
2. Shareholders' rights
3. Stakeholders
4. Internal control environment
5. Disclosure and transparency
6. Code of Business Ethics
7. Social responsibility
8. Sustainability report (ESG)
9. Whistle Blow

B. Investor Relations, which includes the following topics:

1. Disclosures
2. Share data
3. Shareholder affairs
4. Investor Relations Unit
5. Our investments
6. Annual reports
7. Sustainability report
8. Financial ratios and indicators
9. Financial Statements
10. Analysts Conference

Eight Rule - Respect Shareholders' Rights

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. Each shareholder, regardless of his ownership percentage, is entitled to the following:

1. Recording the value of the ownership in the company's records.
2. Taking actions of shares from registration of ownership, transfer and/or waiver.
3. Obtaining the 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. Hold the company's Members of a Board of Directors of the executive management accountable and file tort cases if they fail to meet roles entrusted there to.
8. The right to participate in the meetings of the General Assembly and to vote on decisions and the same treatment.
9. Obtaining at least seven days before the ordinary general assembly meeting the company's financial statements for the past financial period, the board of directors' report, and the auditor's report.
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. Approval of any sale, purchase, or disposal in any way of the company's assets if their value reaches 50% or more of the total value of the company's assets.
15. Shareholders owning 5% of the company's capital have the right to add items to the agenda of the General Assembly meetings.
16. Establishing a mechanism that allows providing an introductory overview of the candidates for the membership of the Board of Directors before the voting place, which gives the shareholders a clear idea of the candidates' professional and technical skills, experiences and other qualifications takes place, which gives the shareholders a clear idea of the candidates' professional and technical skills, experiences and other qualifications.
17. Participating in the management of the company by nominate 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 company's by laws.
18. It is not permissible for the Chairman of the Board of Directors of a public shareholding company to assume the Chairman of another public shareholding company, nor is it permissible to combine the position of Chairman of the Board of Directors with the position of Chief Executive Officer, and the position of Chief Executive Officer shall be a member of the Board of Directors or others.
19. Shareholders representing 25% of the issued capital have the right to request the replacement of the auditor during the financial year.
20. 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 Kuwait clearing Company in order to continuously monitor the shareholders' data

The shareholder register is kept at the "Clearing Company", which is updated regularly with each change. It can be accessed through direct contact and request from the "Al Kuwait Clearing Company" administration in accordance with the contract concluded between "Al-Tijaria" and "Clearing Company". In addition, "Al-Tijaria" maintains updated records of the names of its shareholders. The number of their shares, their ownership percentages, their identification numbers, and their contact information through the Shareholder Affairs Department. Any interested party may request the company or the clearing agency to provide him with data from this register. Shareholders have the right to view information and data from the shareholders' register, provided that the data contained in the register is treated in accordance with the highest levels of protection and confidentiality.

Encouraging shareholders to participate and vote in General Assembly Meeting 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 General Assembly is held at the invitation and presence of the shareholders. It is considered the highest authority in the company. The General Assembly elects and appoints the Board of Directors, which is entrusted with the task of acting on behalf of the shareholders to protect their interests and achieve the company's goals and aspirations. The Board of Directors is committed 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 of 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 and permanent basis for all classes of shareholders.
 5. All categories of shareholders who own the same type of shares have the right to vote on any changes related to shareholders' rights by calling for a meeting of the General Assembly of Shareholders.
 6. Voting to select the members of the Board of Directors is held in the General Assembly through the mechanisms stipulated in the company's articles of association and the company's by laws and within the framework of what is stipulated in the Companies Law and its Executive Regulations and Book Fifteen of the Executive Regulations of the Capital Markets Authority, taking into account what is included in the Companies Law regarding permission to follow cumulative voting system in this regard, considering that this is one of the best governance practices. This is in addition to developing

a mechanism that allows providing an introductory overview of the candidates for membership in the Board of Directors and the capacity on which he wishes to nominate himself (executive/non-executive/independent) before voting, which gives shareholders a clear idea of the candidates' professional and technical skills, experience, and other qualifications.

7. All classes of shareholders can hold the Board of Directors accountable for the tasks assigned to them.
8. No fees are imposed for the attendance of any class of shareholders at the General Assembly meetings, nor is any preferential advantage given to any class over other of shareholders.
9. The candidate, as an independent member, must submit a declaration to the Ministry of Commerce and Industry acknowledging that he meets the independence controls stipulated in this book.
10. If it is not possible to obtain the minimum required number of independent members of the Board of Directors through the elections of Board members at the General Assembly meeting, the required number will be met by replacing the non-independent members of the Board of Directors who received the least votes with independent members through a separate election process from among the non-winning candidates in this category, provided that the replacement process takes place at the same meeting.

In the event that the members of the Board of Directors are appointed in accordance with the provisions of Article (188) of Law No. 1 of 2016 issuing the Companies Law, shareholders who have representatives on the Board of Directors may participate with other shareholders in electing the remaining independent members of the Board of Directors within the limits of what exceeds the percentage used to appoint representatives to the Board of Directors.

Electronic system for participation in AGM:

It is the electronic system provided by the Kuwait Clearing Company for listed companies to enable shareholders of these companies to participate in the General Assembly without the need for these shareholders to attend in person, and their participation is counted within the quorum for attending and voting in the Annual General Assembly.

Ninth Rule- 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, namely:

1. Providing information and opportunities to review it periodically and at the appropriate time through interim financial statements, continuous disclosures, and following a transparency policy, and allowing stakeholders to access information and data related to their activities so that they can obtain, refer to, and rely on that information in a timely manner, quickly, and regularly.
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 while providing appropriate protection to reporting parties.
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. Stakeholders shall not obtain any advantages by dealing in contracts and transactions that are carried out within the normal activities of the company.
6. The company's commitment to contracts concluded with stakeholders, which ensure that any party receives appropriate and proper compensation in accordance with the stipulations of those contracts and in line with the regulating laws.
7. 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.
8. Establishing procedures that regulate the relationship with clients and suppliers and a mechanism for maintaining the confidentiality of information related to them, through the relevant departments. The company must conclude non-disclosure agreements with suppliers and clients.
9. The company is always keen to address stakeholders' concerns and complaints by improving communication with all stakeholders and addressing client complaints and responding to them in a timely manner.

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 and development.
2. Establishing appropriate mechanisms to facilitate stakeholders' reporting to the company's Board of Directors of any improper practices to which they are exposed by the company, while providing appropriate protection to the reporting parties. The company has on its website the possibility of direct communication to report these violations (Whistle blowing).

Tenth Rule - 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, which includes a file that includes a 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. Articles of Association and the company's by laws.
3. The organizational structure of the company.
4. The responsibilities and tasks assigned to the members, as well as the authorities 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 manual.
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, develop their skills, and enrich their expertise, especially in the field of governance and risk management.

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

1. The performance of the Board of Directors and Executive Management of The Commercial Real Estate Company (K.P.S.C.) is evaluated to support the company's strategy and monitor its performance using specific performance indicators. Key performance indicators are important for the company's success as measuring performance is linked to achieving strategic objectives and the adequacy of internal control systems.
2. The company develops objective performance indicators to evaluate the Board of Directors as a whole, the contribution of each member of the Board and each of its committees and evaluates the performance of executive directors on a periodic basis (annually), in addition to identifying strengths and weaknesses and proposing means to address them in a way that is consistent with the company's interest.
3. The company sets key performance indicators (KPIs) to measure performance, and KPIs are used to measure and evaluate the performance of a specific job or activity towards its contribution to achieving the company's goals.
4. When evaluating performance according to the specified key performance indicators, an increase or decrease in the performance indicator is considered a negative or positive result according to the nature of each indicator.
5. To evaluate the Board of Directors, its derived committees, and the executive management members. The commitment to applying the governance principles issued by the Capital Markets Authority and the Corporate Governance Book. The performance evaluation of the committees and the Board is carried out by filling out the fields for the forms and factors in accordance with standards (1-5).
6. The Board of Directors also evaluates the performance of the Board Secretary on an annual basis through performance measurement indicators related to the tasks carried out by the Board Secretary and approved by the Board of Directors.

1) Objective performance indicators for the Board of Directors:

The Board of Directors' performance is self-evaluated annually, and the evaluation is reviewed and approved by the Board of Directors, provided that the performance is evaluated through objective performance indicators (KPIs) based on the model prepared for that purpose, and the Board of Directors is evaluated according to the following:

A. Qualitative indicators:

1. Developing and approving the company's important strategies, plans and policies, and reviewing and directing them annually.
2. Establish a clear policy for distributing cash and/or in-kind profits to achieve the interests of shareholders and the company.
3. Setting goals and monitoring implementation and overall performance in the company.
4. Approving the company's organizational and functional structures and conducting periodic review of them.
5. Adopting appropriate investment policies that are consistent with the established strategy.
6. Ensuring periodically the effectiveness and adequacy of the internal control systems in place in the company and its subsidiaries.
7. Ensuring the implementation of appropriate control systems to measure and manage risks by determining the scope of risks facing the company and creating an environment familiar with the culture of risk reduction.
8. Developing the policies and procedures required by the company's management to achieve balance and avoid risks when entering into new investments or projects.
9. Reviewing and approving the company's financial policies and ensuring their compliance with international accounting standards for financial reporting.
10. Reviewing and approving allocations, reserves, financial control systems and their reports.
11. Discussing and approving the company's annual estimated budget and interim and annual financial statements.
12. Comparing actual performance with the approved estimated budget, identifying deviations and their causes, and following the necessary corrective measures.

13. Having clear information and data about the activities and investments of the company and its subsidiaries and associates, allows him to evaluate the performance of the company and its CEOs.
14. Developing a governance system for the company in line with the principles of corporate governance issued by the Capital Markets Authority and regulatory authorities, supervising it and amending it when needed.
15. Supervising the preparation of an annual report on following the company's governance systems to prove compliance with the governance guide and the regulations and laws.
16. Approving the company's social responsibility plan and program on an annual basis and providing the necessary resources to implement it.
17. Authorizing his representative to communicate effectively with shareholders and other stakeholders.
18. In making its decisions, it considers the treatment of all shareholders fairly and equally to ensure the preservation of the rights of small shareholders.

B. Quantitative indicators:

1. Return on average assets.
2. Return on average shareholders' equity.
3. Net profit margin.

2) Objective performance indicators for members of the Board of Directors:

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 model prepared for this purpose. All members of the Board of Directors are evaluated according to the following:

1. The member has the necessary skills and experience to carry out the tasks assigned to him by the Board of Directors or the committees of which he/ she is a member.
2. The member shall exercise due diligence in carrying out the tasks assigned to him and make decisions at the appropriate time.
3. The member has the financial skills and experience necessary to read financial statements and the ability to analyze them.
4. The member actively participates and submits proposals aimed at making decisions regarding important issues in the company.
5. The member reviews the documents related to the meetings and expresses an informed opinion regarding what is contained therein.
6. The member is committed to attending all meetings of the Council or committees of which he is a member, whether in person or through modern means of communication.
7. The member is obligated to apologize if he is unable to attend a meeting before sufficient time to avoid postponing the meeting due to lack of a quorum.
8. The member is committed to attending at least 75% of the total meetings of the Board of Directors and the committees in which he participates.
9. The member is obligated to abstain from voting on issues that are related to him or one of the parties related to him in any way.
10. The member shall hold impartiality, integrity and transparency in discussions and decision-making.

3) Objective performance indicators for executive management:

The executive management is evaluated annually according to the form prepared for this purpose, and according to the following:

- A. Qualitative indicators: strategy, leadership, evaluation, control and auditing, governance, appointment, and training.
- B. Quantitative indicators: financial.

The Corporate Values - Company methodology

The Corporate Values

The Board of Directors works to create values within the company in the short, medium and long term, by establishing mechanisms and procedures that work to achieve the company's strategic objectives and improve performance rates, which effectively contributes to creating institutional values among employees and motivates them to continuously work to maintain Company finances safety.

Vision

Providing the highest level of excellence and enriching the real estate market in the State of Kuwait and expanding to the world through distinctive real estate designs and high-quality standards and the adoption of governance and our experts in the company as essential elements to maximize the wealth of our shareholders.

Message

Developing a business strategy to reach the optimal income to achieve growth rates, returns and stable cash flows, of which in turn increase the value of each project to provide the best results for shareholders and stakeholders, in addition to acquiring high-quality assets and maintaining the balance and diversity of real estate portfolios in the local, regional and global markets.

The Strategy

- Reconciliation of allocated budget and deadlines.
- Maintain maximum occupancy and rent collection rates.
- Make every effort to develop performance and achieve the desired goals to ensure the interest of shareholders and achieve growth in their rights.
- Maximizing the company's share in providing real estate services and facilities management.
- Commitment to periodic maintenance.
- Maintain a low financing cost commensurate with the financial strategy of the business.
- Maintain high quality and low risk of the project by applying best practices.
- Ensure that recent market studies are carried out as an indicator for monitoring local and global trends and financial markets.
- Provide effective internal training platforms in order to retain highly experienced employees.
- Provide a suitable workplace and environment for employees and clients.
- Maintaining an innovative work environment.
- Ensure that the 5T's form is applied.
- Developing the company's real estate according to the applicable building regulations and systems to achieve the highest rates of safety and optimum return.
- Obtaining and maintaining 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 in terms of sectors and markets, especially in light of the economic conditions, circumstances and changes that the world in general and the Middle East in particular is going through by maintaining investments with profitable operational returns in the local market and the politically and economically stable markets and work on its development, with continuous and diligent follow-up of economic conditions and changes and the extent of their repercussions on the markets so that the company's plans and strategies are updated and amended at the appropriate time, in parallel with the support and development of third party property management and the provision of utility services to ensure the provision of distinguished 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: Cognition Time Management, Trust, Transparency, Teamwork, and Task.
- 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

Eleventh Rule - Focus on the importance of social responsibility

Achieving a balance between the company's goals and society's goals

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. Al-Tijaria has developed a social responsibility policy, through which it ensures achieving a balance between both the company's objectives and the objectives of society.

Standards for implementing the social responsibility policy in Al-Tijaria:

The success of the commercial real estate company in carrying out its role of social responsibility depends on giving sufficient attention to the concerns of society and the environment, and considering the three dimensions of sustainable development: economic growth, social progress, and environmental protection, by adhering to the following standards:

1. Respect and responsibility, meaning the company's respect for the internal environment (employees), and the external environment (community individuals).
2. Supporting and enhancing the community.
3. 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:

4. An annual plan approved by the Board of Directors for all contributions, events and activities during the year is developed.
5. An annual allocation to implement the social responsibility plan is approved.
6. Continuous supervision by the Governance Committee of the implementation of the social responsibility plan is fulfilled.
7. 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 Mall for four weeks. This campaign aimed to make the needy children 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 Allah 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 Amir Al Ensaniyah team, where all the toys were distributed amidst the overwhelming joy of the children.



“Plant a Tree in My Country – we want it Green” Campaign

A campaign was launched under the title “Plant a Tree in My Country – we want it Green “ and implemented twice during 2023 to plant plants in the Boulevard Park in cooperation with volunteers, schools and private hospital in the State of Kuwait. 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.



Blood Donation Campaign

Under the slogan “We Care,” Al-Tijaria Real Estate Company organized the “Blood Donation” campaign in Symphony Style Mall, Boulevard Mall, and Al-Tijaria Tower. The campaign aims to save a life through blood donation.

Cooperation took place with the Central Blood Bank of Kuwait over a period of three days, and many employees of the Commercial Real Estate Company and many visitors of commercial malls participated in donating blood.



Related Party Transactions Report
For the financial year ending on December 31, 2023

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 any person who has 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.

Below are the most important transactions and balances with related parties during 2023..

Transactions	K.D
Key Management Remuneration	1,139,649
Operating Revenues	80,453
Operating expenses and other charges	457,002
Profit from sale of investments at fair value through statement of comprehensive income	242,400
Purchase of property, plant and equipment	57,351
Advance payments for the acquisition of investments	64,468
Balance	K.D
Accounts payable - due to related parties	96,465
Key Management Remuneration	659,092

It is expected that 2024 will witness transactions with related parties in the interest of the company.

Agenda of the Ordinary General Assembly Meeting for the year ended December 31st, 2023

1. Discuss and approve the Board of Directors' report for the financial year ended 31/12/2023.
2. Read and approve the Governance Report, the Audit Committee Report, and the Remuneration Report for the members of the Board of Directors and the Executive Management for the financial year ended 31/12/2023.
3. Discuss and approve the report of the external auditor/ Deloitte & Touche Al-Wazzan & Co. for the financial year ended 31/12/2023.
4. Discuss the report of the Shari'a Supervisory Committee: Dar Al-Raqabah for Islamic Consultations for the fiscal year ended 31/12/2023.
5. Discuss and approve the consolidated financial statements, profit and loss account for the fiscal year ended 31/12/2023.
6. Present any violations or penalties that may have been issued by the regulatory authorities or any related sanctions if imposed on the company during the year 2023 (if any).
7. Discussing the recommendation of the Board of Directors to distribute cash dividends at the rate of (4%) of the nominal value of the share (4 fils per share) after deducting the treasury shares owned by the company. Distributing bonus shares (from the treasury shares) by 2% (2 treasury shares per 100 shares), to the shareholders registered in the company's records at the end of the due day set for 15/05/2024. The distribution of dividends to those entitled will start on 20/05/2024 with the authorization to the Board of Directors to amend the schedule of share entitlements and dispose of fractional shares.
8. Approval of the Board of Directors' proposal to deduct a statutory reserve of (10%) of the net profits for the fiscal year ending on 31/12/2023 before deducting the share of the Kuwait Foundation for the Advancement of Sciences (KFAS), the National Labor Support Tax and Zakat, and the remuneration of the members of the Board of Directors with the value of KD1,508,443/- (one million and five hundred eight thousand four hundred and forty-three Kuwaiti dinars only).
9. Approval of the Board of Directors' proposal not to deduct voluntary reserve for the fiscal year ended 31/12/2023.
10. Approval of allocating an amount of KD (97,194) (ninety-seven thousand and one hundred ninety – four Kuwaiti dinars only) as part of corporate social responsibility.
11. Discuss the recommendation of the Board of Directors regarding the distribution of KD128,000 (one hundred and twenty-eight thousand Kuwaiti Dinars only) as remuneration to the members of the Board of Directors for the financial year ended as of 31/12/2023.
12. Present and approve transactions made with related parties during the fiscal year 2023 and authorize/ approve the transactions that will take place during the fiscal year 2024.
13. Approval of authorizing the Board of Directors to buy or sell the company's shares not exceeding 10% of the number of its issued shares, in accordance with the articles of Law No.7 of 2010 and its executive regulations and amendments.
14. Discuss the disclaimer of the members of the Board of Directors and their discharge from liability for all matters related to their legal, financial and administrative actions for the fiscal year ended 31/12/2023.
15. Allow the members of the Board of Directors to be members in the Board of Directors of the Commercial Real Estate Company along with the membership of any of its subsidiaries and/or associates, and/or operating in the same activity practiced by the company or any of its branches.
16. Appointing or re-appointing the company's auditor for the financial year ending on 31/12/2024 and authorizing the Board of Directors to determine his fees, provided that the auditor is among those registered at the Capital Markets Authority and considering the period mandatory change of auditors.
17. Appointing or re-appointing the Shari'a Supervisory Committee for the financial year ending on 31/12/2024 and authorizing the Board of Directors to determine its fees.
18. Election of the Board of Directors for the next three years.



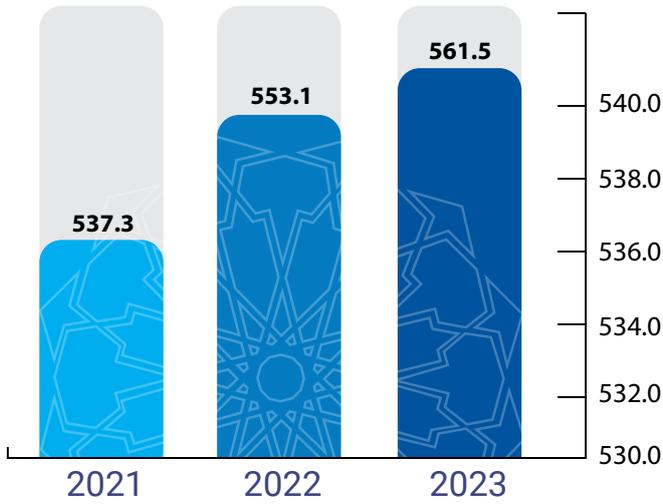
Abdulfatah M.R. Marafie
Chairman of the Board

Financial Indicators

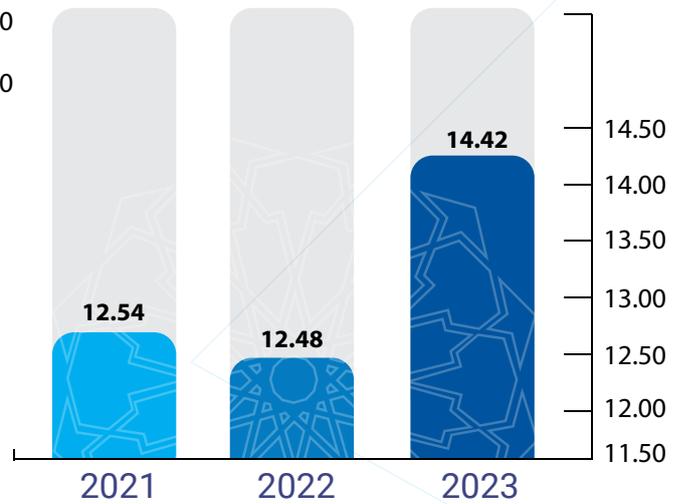
Financial Indicators			
Million Kuwaiti dinars except the percent	2023	2022	2021
Capital Structure	184.07	184.07	184.07
Total Assets	561.5	553.1	537.3
Shareholders' Equity	291.4	289.7	289.7
Investment Properties	369.1	370.7	373.9
Net Profit	14.42	12.48	12.54
Net Operating Income	22.22	21.64	35.14
Return on Average Assets	2.87%	2.42%	2.37%
Return on The Average of The Shareholders' Equity	4.95%	4.31%	4.33%
Returns on Capital	7.84%	6.78%	6.81%
Earnings Per Share (Fils)	8.13	6.89	7.08

Financial Indicators

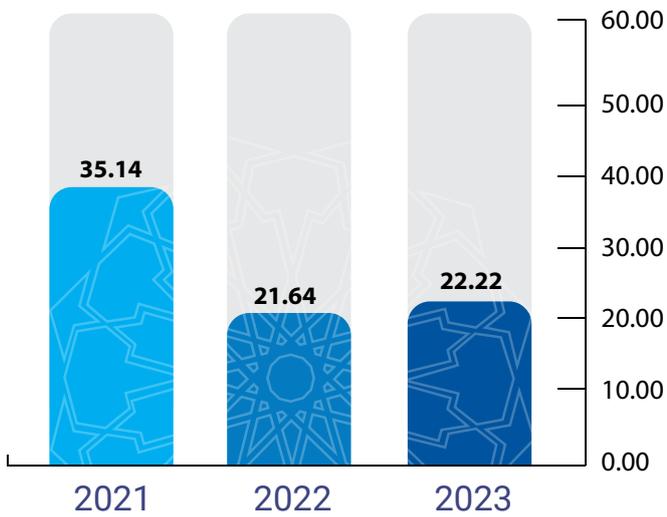
Total Assets (Million KD)



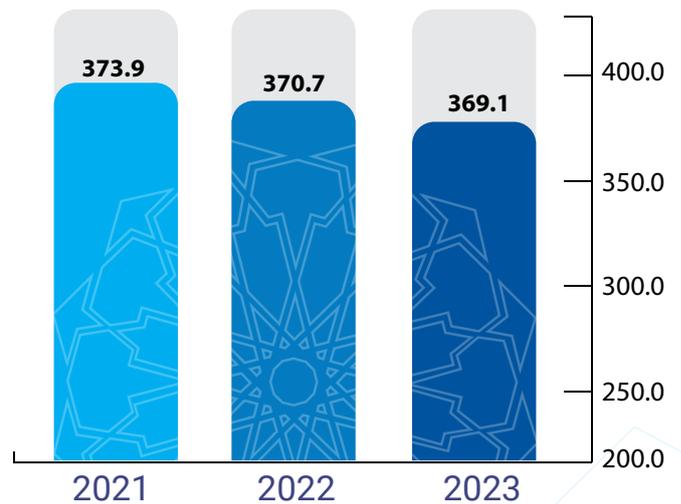
Net Profit (Million KD)



Net Operation Income (Million K.D)



Investment Properties (Million K.D)



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 2023

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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 2023, 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 material accounting policy information.

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 2023, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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 Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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 369,092,089 in the consolidated statement of financial position and the net fair value loss recorded in the consolidated statement of profit or loss is KD 1,811,153.</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>Refer to notes 2.3.3 and 6 in the consolidated financial statements for more information relating to this matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We evaluated the relevant controls related to the valuation of investment properties to determine if they had been appropriately designed and implemented. We assessed the valuer's independence, 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 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.



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)

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 2023 is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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.

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)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

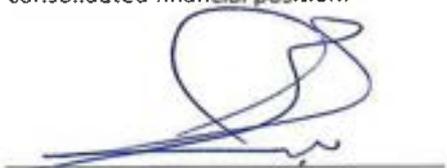
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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 2023 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 2023, 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, 18 March 2024

Consolidated Statement of Financial Position as at 31 December 2023

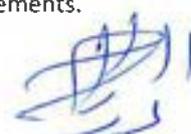
(All amounts are in Kuwaiti Dinar)

	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	5	21,396,481	21,993,873
Investment properties	6	369,092,089	370,673,658
Investments in associates	7	41,493,557	40,750,576
Investments at FVOCI	8	57,732,604	57,475,854
		<u>489,714,731</u>	<u>490,893,961</u>
Current assets			
Land and properties held for trading	9	16,909,520	17,006,137
Investments at fair value through profit or loss	10	41,676,356	33,672,313
Receivables and other debit balances	11	9,950,822	6,135,323
Cash and cash equivalents	12	3,250,036	5,349,916
		<u>71,786,734</u>	<u>62,163,689</u>
Total assets		<u>561,501,465</u>	<u>553,057,650</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	(8,539,935)	(9,554,851)
Statutory reserve	15	42,685,964	41,177,521
Voluntary reserve	16	29,296,785	29,296,785
Other reserve	17	1,259,759	5,069,973
Retained earnings		41,276,940	38,296,270
Total equity attributable to shareholders of the Parent Company		<u>291,357,872</u>	<u>289,664,057</u>
Non-controlling interests		24,159,803	23,435,358
Total equity		<u>315,517,675</u>	<u>313,099,415</u>
Liabilities			
Non-current liabilities			
Employees' end of service indemnity		1,267,111	1,094,999
Lease liabilities	6	2,227,965	2,353,486
Financing from financial institutions	18	212,556,212	190,989,602
		<u>216,051,288</u>	<u>194,438,087</u>
Current liabilities			
Payables and other credit balances	19	13,222,146	15,974,376
Financing from financial institutions	18	16,710,356	29,545,772
		<u>29,932,502</u>	<u>45,520,148</u>
Total liabilities		<u>245,983,790</u>	<u>239,958,235</u>
Total equity and liabilities		<u>561,501,465</u>	<u>553,057,650</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 2023

(All amounts are in Kuwaiti Dinar)

	Notes	2023	2022
Income from operating sectors			
Rental income of investment properties	20	26,620,808	26,156,537
Hotel's and hospitality revenues	20	3,484,058	2,855,214
Sale of land and properties held for trading	22	500,000	615,000
Total income		30,604,866	29,626,751
Property expenses		(5,637,084)	(5,238,508)
Hotel's hospitality expenses		(2,721,145)	(2,720,772)
Cost of sale land	22	(26,611)	(28,607)
Total of costs		(8,384,840)	(7,987,887)
Net income from operating activities		22,220,026	21,638,864
Change in fair value for investment properties	6	(1,811,153)	(3,502,014)
(Impairment) / reversal of land and real estate held for trading		(132,769)	86,792
Gross profit		20,276,104	18,223,642
Share in associates' results		2,714,994	(2,231,348)
Gain from investments	21	9,855,913	4,405,152
Other income		170,929	64,224
Operating profit		33,017,940	20,461,670
Staff costs		2,908,480	(2,016,841)
Expenses and other charges		(1,989,670)	(1,330,009)
Finance costs		(11,262,710)	(6,659,831)
(Provisions and impairment) / reversal	23	(67,396)	3,467,013
Net profit before deductions		16,789,684	13,922,002
Kuwait Foundation for the Advancement of Sciences (KFAS)		(62,253)	(77,008)
National Labor Support Tax (NLST)		(389,583)	(277,854)
Zakat Expense		(80,665)	(72,799)
Board remuneration		(128,000)	(104,000)
Net profit for the year		16,129,183	13,390,341
Shareholders of the Parent Company		14,423,931	12,479,693
Non-controlling interests		1,705,252	910,648
		16,129,183	13,390,341
Earnings per share for Parent Company's shareholders (fils)	24	8.13	6.89

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	2023	2022
Net profit for the year	16,129,183	13,390,341
Other comprehensive losses		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	(3,507,440)	(650,126)
Group's share in associates' reserves	86,141	(1,094,853)
	<u>(3,421,299)</u>	<u>(1,744,979)</u>
<i>Items that may be reclassified subsequently to statement of income:</i>		
Foreign currency translation differences	66,343	254,169
Total other comprehensive losses	(3,354,956)	(1,490,810)
Total comprehensive income for the year	12,774,227	11,899,531
Distributed as follows:		
Shareholders of the Parent Company	11,161,865	10,943,865
Non-controlling interests	1,612,362	955,666
	<u>12,774,227</u>	<u>11,899,531</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 2023

(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			Total
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	289,708,207	23,197,194	312,905,401
Net profit for the year	-	-	-	-	-	-	12,479,693	12,479,693	910,648	13,390,341
Total comprehensive (expense) / income for the year	-	-	-	-	-	(1,535,828)	-	(1,535,828)	45,018	(1,490,810)
Sale of investment at FVOCI- associate	-	-	-	-	-	-	(13,021)	(13,021)	-	(13,021)
Sale of investment at FVOCI	-	-	-	-	-	(22,097)	338,949	316,852	-	316,852
Cash dividend (Note 26)	-	-	-	-	-	-	(8,840,740)	(8,840,740)	-	(8,840,740)
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(617,401)	(617,401)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	59,081	59,081	(109,210)	(50,129)
Share of other reserves in associates	-	-	-	-	-	-	242,624	242,624	9,109	251,733
Adjustment of an associate financials	-	-	-	-	-	-	(3,136)	(3,136)	-	(3,136)
Purchase of treasury shares	-	-	(2,800,689)	-	-	-	-	(2,800,689)	-	(2,800,689)
Sale of treasury shares	-	-	41,943	-	-	9,071	-	51,014	-	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	289,664,057	23,435,358	313,099,415
Balance as at 1 January 2023	184,069,975	1,308,384	(9,554,851)	41,177,521	29,296,785	5,069,973	38,296,270	289,664,057	23,435,358	313,099,415
Net profit for the year	-	-	-	-	-	-	14,423,931	14,423,931	1,705,252	16,129,183
Other comprehensive expense for the year	-	-	-	-	-	(3,262,066)	-	(3,262,066)	(92,890)	(3,354,956)
Sale of investment at FVOCI- associate	-	-	-	-	-	-	(41,760)	(41,760)	-	(41,760)
Sale of investment at FVOCI	-	-	-	-	-	-	242,400	242,400	-	242,400
Cash dividend (Note 26)	-	-	-	-	-	-	(5,204,819)	(5,204,819)	-	(5,204,819)
In kind dividend from treasury shares (note 26)	-	-	5,526,382	-	-	(548,148)	(4,978,234)	-	-	-
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(802,874)	(802,874)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	47,595	47,595	(85,043)	(37,448)
Purchase of treasury shares	-	-	(4,511,466)	-	-	-	-	(4,511,466)	-	(4,511,466)
Transferred to reserve	-	-	-	1,508,443	-	-	(1,508,443)	-	-	-
Balance as at 31 December 2023	184,069,975	1,308,384	(8,539,935)	42,685,964	29,296,785	1,259,759	41,276,940	291,357,872	24,159,803	315,517,675

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

Consolidated Statement of Cash Flows for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Notes	2023	2022
Operating activities			
Net profit for the year		16,129,183	13,390,341
<i>Adjustments for:</i>			
Change in fair value of investment properties	6	1,811,153	3,502,014
Impairment / (Reversal) of land and real estate held for trading		132,769	(86,792)
Gain on sale of land and properties held for trading		(473,389)	(586,393)
Share in associates' results		(2,714,993)	2,231,348
Gain from investments	21	(9,855,913)	(4,405,152)
Depreciation of property, plant and equipment	5	1,203,021	1,184,861
Finance cost		11,262,710	6,659,831
Impairment / (Reversal) charge of provisions and impairment	23	67,396	(3,467,013)
Employees' end of service indemnity provided during the year		233,994	231,213
<i>Operating cash flow before changes in the working capital</i>		<u>17,795,931</u>	<u>18,654,258</u>
Purchase of Land and properties held for trading		(62,763)	(286,577)
Proceeds from sale of Land and properties held for trading		500,000	615,000
Receivables and other debit balances		509,406	1,172,733
Payables and other credit balances		(2,631,631)	(1,162,041)
Employees' end of service indemnity – paid during the year		(61,882)	(89,426)
Net cash generated from operating activities		<u>16,049,061</u>	<u>18,903,947</u>
Investing activities:			
Payment for purchase of property, plant and equipment	5	(605,721)	(320,976)
Proceed on sale of property, plant and equipment		30	-
Payment for purchase of investment property	6	(229,584)	(297,477)
Payment to acquire shares in associates		(171,147)	(152,854)
Dividends received from associates and accrued associates' dividends	7	2,508,198	2,265,655
Payment to acquire investment at FVOCI		(4,276,400)	(24,789,753)
Proceeds on sale of investment at FVOCI		512,210	1,636,765
Payment to acquire shares in subsidiary		(37,448)	(50,129)
Proceeds on sale of investments at fair value through profit or loss		366,277	-
Payment to acquire investments at fair value through profit or loss		(2,192,874)	(1,262,127)
Advance payment for purchase of investments		(4,245,725)	(66,250)
Cash dividend received on investments		3,520,038	2,427,514
Deposits with financial institutions		-	300,000
Net cash used in investing activities		<u>(4,852,146)</u>	<u>(20,309,632)</u>
Financing activities:			
Proceeds from financing from financial institutions		25,550,000	40,280,000
Repayment of financing financial institutions		(16,818,806)	(23,954,563)
Payment for buy-back of treasury shares		(4,511,466)	(2,800,689)
Payment for lease liabilities		(188,797)	(188,797)
The proceeds from the sale of treasury shares		-	51,014
Cash dividend paid		(5,270,659)	(8,825,598)
Finance cost paid		(11,254,193)	(6,212,799)
Cash dividends to non-controlling interests at a subsidiary		(802,874)	(617,401)
Net cash used in financing activities		<u>(13,296,795)</u>	<u>(2,268,833)</u>
Net change in cash and cash equivalents		<u>(2,099,880)</u>	<u>(3,674,518)</u>
Cash and cash equivalents at beginning of the year		<u>5,349,916</u>	<u>9,024,434</u>
Cash and cash equivalents at end of the year	12	<u>3,250,036</u>	<u>5,349,916</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 2023

(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 18 March 2024.

2. Basis of preparation and materil 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 Accounting Standards) (IFRSs) 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.

2.2 New and revised accounting standards

2.2.1 Effective for the current year

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies – 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.
- Amendments to IAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- 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. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

2.2.2 Standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: 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.	1 January 2024
Non-current liabilities with covenants	Non-current liabilities with covenants - The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

2.3 Material accounting policies

The material 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 off 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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.

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 .

If there is objective evidence that the group's net investment in an associate is impaired, the requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise an impairment loss with respect to the group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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).

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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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.

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.

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.

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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.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- 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.

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.

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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.
- 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- 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. 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.

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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.

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.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

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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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.

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.

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:

	2023	2022
US Dollar	53,860,682	44,224,683
Sterling Pound	10,490,740	11,207,118
Bahraini Dinar	(1,145,877)	(2,944,467)
Other	27,434,896	24,671,502

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

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:

	2023		2022	
	Equity	Statement of income	Equity	Statement of income
US Dollar	1,624,145	1,068,889	1,530,090	681,194
Sterling Pound	374,106	150,431	426,082	134,273
Bahrain Dinar	6,347	(63,641)	6,443	(153,667)
Other	742,346	629,399	787,330	446,245

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 2023 would increase/decrease by KD 2,083,817 (increase/decrease by KD 1,683,616) as a result of the changes in fair value of the investments through profit and loss; and
- Other comprehensive income would increase/decrease by KD 2,886,630 (increase/decrease by KD 2,873,793) 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.

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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:

	2023	2022
Bank balances	3,244,002	5,344,336
Trade receivables & other debit balances	4,971,595	5,409,638
	<u>8,215,597</u>	<u>10,753,974</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 2023 and 01 January 2023 due to it is immaterial.

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

31 December 2023

	0-90 days	91-180 days	181-365 days	> 365 days	Total
Gross carrying amount	502,543	136,394	394,942	4,197,092	5,230,971
Lifetime ECL	16,336	6,651	37,743	3,895,091	3,955,821

01 January 2023

	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

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.

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.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

The amounts disclosed in the table are the contractual undiscounted cash flows.

	2023				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from financial institutions	3,921,106	24,524,261	201,836,224	31,829,976	262,111,567
Accounts payable	853,705	10,088,829	-	-	10,942,534
Lease liability	28,896	159,901	755,188	1,908,267	2,852,252
	2022				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from financial institutions	3,076,767	35,052,869	202,814,295	3,953,514	244,897,445
Accounts payable	767,741	10,784,242	-	-	11,551,983
Lease liability	28,896	159,901	755,188	2,097,063	3,041,048

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:

	2023	2022
Financing from Financial institutions	229,266,568	220,535,374
Less: cash and cash equivalents	(3,250,036)	(5,349,916)
Net debt	226,016,532	215,185,458
Total equity	315,517,675	313,099,415
Gearing ratio (%)	71.63	68.73

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(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
	2023	2022				
Investments at fair value through other comprehensive income						
Quoted shares	868,728	464,935	1	Last bid price	N/A	N/A
Private equity	53,447,839	55,250,956	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	3,416,037	1,759,963	2	NAV	Growth rate and / or net asset value	Higher growth rates result in higher fair value
Investments at fair value through profit or loss:						
Quoted shares	985,820	992,417	1	Last bid price	N/A	N/A
Private equity	40,690,536	32,679,896	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:

	2023		2022	
	Through other comprehensive income	Through profit or loss	Through other comprehensive income	Through profit or loss
At 1 January	57,010,919	34,028,038	32,679,896	22,352,048
Purchased	4,276,400	24,789,753	2,104,340	1,262,129
Transferred from advances	-	-	-	7,417,524
Cost of investments sold	(512,210)	(1,319,913)	(400,119)	-
Change in fair value	(3,911,233)	(486,959)	6,306,419	1,648,195
At 31 December	56,863,876	57,010,919	40,690,536	32,679,896

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

	31 December 2023		31 December 2022	
	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	4,971,595	4,971,595	5,409,638	5,409,638
- Cash and cash equivalents	3,250,036	3,250,036	5,349,916	5,349,916
	<u>8,221,631</u>	<u>8,221,631</u>	<u>10,759,554</u>	<u>10,759,554</u>
Financial liabilities:				
- Financing from Financial institutions	229,266,568	220,667,890	220,535,374	217,674,737
- Payables	13,222,146	13,222,146	15,974,376	15,974,376
	<u>242,488,714</u>	<u>233,890,036</u>	<u>236,509,750</u>	<u>233,649,113</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 sole payment of principal and interest, the Group decides whether it should be classified as "FVTPL" or "FVTOCI".

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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 2022	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
Additions	-	308,826	-	296,895	605,721
Disposals	-	-	-	(522)	(522)
Balance at 31 December 2023	26,467,978	12,976,017	3,681,098	3,410,801	46,535,894
Accumulated depreciation					
Balance at 1 January 2022	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
Depreciation for the year	569,846	254,403	10,145	368,627	1,203,021
Disposals	-	-	-	(430)	(430)
Balance at 31 December 2023	7,429,894	11,519,708	3,674,822	2,514,989	25,139,413
Net carrying value					
As at 31 December 2023	19,038,084	1,456,309	6,276	895,812	21,396,481
As at 31 December 2022	19,607,930	1,401,886	16,421	967,636	21,993,873
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:

	2023	2022
Balance at 1 January	370,673,658	373,878,195
Additions during the year	229,584	297,477
Change in fair value	(1,811,153)	(3,502,014)
Balance at 31 December	369,092,089	370,673,658

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The fair value of the Group's investment properties as at 31 December 2023 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. Market price method and the current replacement cost method which 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 5.04 % to 9.89 % (6% to 9.8% - 31 December 2022).

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 287,662,960 as at 31 December 2023 (KD 284,317,880 - 31 December 2022) 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 Mall which will expire in year 2036. The balance of lease liabilities is as follows:

	2023	2022
Lease liabilities (non-current)		
Amounts due after 12 months	2,227,965	2,353,486
Lease liabilities (current)		
Amounts due within 12 months – included in other payables	111,915	91,001
	<u>2,339,880</u>	<u>2,444,487</u>

7. Investments in associates

7.1 Financial information

Name of associates	Country of incorporation	Principal activity	Ownership %		2023	2022
			2023	2022		
Hajar Tower Real Estate Co.	Kuwait	Real Estate	27.42	27.42	1,642,092	1,006,515
Kuwait Resorts Co. *	Kuwait	Services	41.94	39.95	12,702,774	11,858,607
Bayan Real Estate Co.	Saudi Arabia	Real Estate	23.56	23.56	4,938,644	4,941,945
Afkar Holding Co.	Kuwait	Holding	19.35	19.35	3,445,265	2,939,215
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	28.31	27.42	3,754,553	3,607,654
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	730,577	735,661
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	8,110,289	9,367,025
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,331,246	4,276,949
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,015,989	1,029,221
Other					822,128	987,784
					<u>41,493,557</u>	<u>40,750,576</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 2023 is KD 5,825,678 (KD 6,115,195 - 31 December 2022).

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

	2023	2022
Current assets	1,532,275	2,019,002
Non-current assets	31,245,282	32,466,090
Current liabilities	1,540,901	3,272,750
Non-current liabilities	951,775	898,343
Cash dividends received from associate during the year	225,017	220,604

	2023	2022
Revenue	5,497,317	5,537,333
Profit for the year	2,203,403	2,314,188
Total other comprehensive income / (loss)	330,689	(1,481,709)

Hajar Tower Real Estate Company

	2023	2022
Current assets	24,433,290	35,701,995
Non-current assets	34,515,913	27,056,968
Current liabilities	32,035,437	36,032,713
Non-current liabilities	20,926,025	23,056,081

	2023	2022
Revenue	25,095,202	16,328,375
Profit for the year	2,317,787	109,445

Al Jahra Tourism Company

	2023	2022
Current assets	10,895,202	10,161,411
Non-current assets	9,699,285	13,345,820
Current liabilities	1,118,934	1,053,749
Non-current liabilities	1,401,752	1,778,980

	2023	2022
Revenues	7,131,749	7,028,889
Profit for the year/ total comprehensive income	4,227,171	3,500,806
Adjustment - The effect of unified accounting policies	(2,184,005)	(2,173,823)
Profit for the year/ total comprehensive income	2,043,166	1,326,983

Bayan Real Estate Company

	2023	2022
Current assets	266,621	456,753
Non-current assets	20,822,420	20,608,329
Current liabilities	105,563	76,084
Non-current liabilities	19,840	11,348

	2023	2022
Revenue	92,854	-
Loss for the year	(69,781)	(112,508)
Total other comprehensive income	-	-

Vacation Club Venture Company

	2023	2022
Current assets	1,260,560	14,534,208
Non-current assets	14,043,266	225,332
Current liabilities	865,848	503,045
Non-current liabilities	494	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

	2023	2022
Revenue	237,528	13,399
Profit / (Loss) for the year	43,282	(14,457)
Total other comprehensive income	-	-

Kuwait Commercial Markets Complexes Company

	2023	2022
Current assets	4,249,496	4,592,451
Non-current assets	14,550,870	14,171,524
Current liabilities	5,514,099	5,584,916
Non-current liabilities	21,361	22,325

	2023	2022
Revenue	534,952	2,323,567
Profit / (Loss) for the year	348,930	(1,772,787)
Total other comprehensive income	90,312	(2,030,763)

Aggregate information of associates that are not individually material

	2023	2022
The Group's share in Profit	343,427	92,023
The Group's share of other comprehensive (expense)/income for the year	(83,904)	36,643
The Group's share of total income for the year	259,523	128,666
Aggregate carrying amount of the Group's interest in these associates	6,013,959	5,691,881

	31 December 2023	31 December 2022
Balance as the beginning of the year	40,750,576	40,968,845
Additions during the year	171,147	152,854
Group's share in associates' results	2,714,993	(2,231,348)
Group's share in associates' reserves	86,141	(1,094,853)
(Losses) on sale of investments of FVTOCI	(41,760)	(13,021)
Translation of foreign currencies	66,343	254,169
Reversal of impairment related to investment in associates	254,315	3,634,018
Adjustment of associates financials	-	(3,136)
Share of other reserves in associates	-	251,733
Cash dividends	(2,508,198)	(1,168,685)
	<u>41,493,557</u>	<u>40,750,576</u>

8. Investment at FVOCI

	2023	2022
Investment in quoted shares	868,728	464,935
Investment in private equities managed by others	53,447,839	55,250,956
Investment funds	3,416,037	1,759,963
	<u>57,732,604</u>	<u>57,475,854</u>

The fair values of investments, other than quoted shares, The fair value of these investments was estimated according to the valuation principles set in note 3.3.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

9. Land and properties held for trading

	<u>2023</u>	<u>2022</u>
Balance as at 1 January	17,006,137	13,350,610
Additions	62,763	3,597,342
Cost of sales during the year	(26,611)	(28,607)
Reversal of impairment	25,490	134,085
Impairment	(158,259)	(47,293)
Balance as at 31 December	<u>16,909,520</u>	<u>17,006,137</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 as 31 December 2023 amounting to KD 4,421,966 (KD 4,536,497 as 31 December 2022) 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

	<u>2023</u>	<u>2022</u>
Trade receivables	5,230,971	5,854,405
Provision for expected credit losses	(3,955,821)	(3,634,110)
	<u>1,275,150</u>	<u>2,220,295</u>
Advance payments for acquisition of investments	4,513,975	66,250
Advances to contractors and suppliers	361,209	524,793
Prepaid expenses	142,134	172,733
Refundable deposits	339,716	339,091
Other debit balances	3,556,912	<u>3,050,435</u>
	<u>8,913,946</u>	<u>4,153,302</u>
Provisions	(238,274)	(238,274)
	<u>8,675,672</u>	<u>3,915,028</u>
	<u>9,950,822</u>	<u>6,135,323</u>

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

Movement of provision for expected credit losses for the year:

	<u>2023</u>	<u>2022</u>
Balance as at 1 January	3,634,110	5,942,429
Provided during the year	321,711	15,944
Reversal of provision for Expected credit losses	-	(87,213)
Write off	-	(2,237,050)
Balance as at 31 December	<u>3,955,821</u>	<u>3,634,110</u>

12. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
Cash in hand	6,034	5,580
Cash at banks and financial institutions	2,105,802	2,465,432
Deposits with financial institution	1,138,200	2,878,904
Cash and cash equivalent for cash flow	<u>3,250,036</u>	<u>5,349,916</u>

The profit rate for the deposit is 6.2%(2.5% - 4.1%- 2022)

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(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 2023 (KD 184,069,975 distributed over 1,840,699,751 shares as of 31 December 2022).

14. Treasury shares

	2023	2022
Number of shares	86,339,082	93,381,034
Proportion to issued shares (%)	4.69	5.07
Market value	8,651,176	9,039,284
Cost	8,539,935	9,554,851

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 31,256,762 shares are held by a subsidiaries as of 31 December 2023 (17,791,323 shares 31 December 2022).

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 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
Balance as at 1 January 2023	(3,116,745)	1,365,210	5,547,886	492,128	781,494	5,069,973
Total comprehensive (losses)/ income	(3,409,356)	80,947	-	66,343	-	(3,262,066)
In-kind dividends from treasury shares	-	-	-	-	(548,148)	(548,148)
Balance as at 31 December 2023	(6,526,101)	1,446,157	5,547,886	558,471	233,346	1,259,759

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(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:

	2023	2022
Current portion	16,710,356	29,545,772
Non-current portion	212,556,212	190,989,602
	<u>229,266,568</u>	<u>220,535,374</u>

The movements in financing from financial institutions

	2023	2022
Balance as the beginning of the year	220,535,374	204,209,937
Received	25,550,000	40,280,000
Paid	(16,818,806)	(23,947,963)
Foreign currency	-	(6,600)
Balance as the end of the year	<u>229,266,568</u>	<u>220,535,374</u>

Average cost of financing from third parties is 4.9% as at 31 December 2023 (3.0% - 31 December 2022).

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 2023 (245,697,583 shares - 31 December 2022) of Al Salmia Group (subsidiary) in addition to the following assets:

	2023	2022
Property, plant and equipment	19,753,257	20,187,908
Investment properties (Note 6)	287,662,960	284,317,880

19. Payables and other credit balances

	2023	2021
Trade payables	703,173	687,883
Due to related party (Note 27)	96,465	88,555
Retentions	932,014	920,187
Accrued expenses	2,858,241	2,677,505
Rent received in advance	787,954	547,444
Rental security deposits from others	3,372,421	3,601,803
Kuwait Foundation for the Advancement of Science (KFAS)	62,253	261,902
National Labor Support Tax	389,583	277,854
Zakat	80,665	72,799
Dividends payable to shareholders	307,028	372,868
Other payables *	3,632,349	6,465,576
	<u>13,222,146</u>	<u>15,974,376</u>

* Other credit balances include lease liabilities of KD 111,915 due within 12 months (KD 91,001 - 2022).

20. Net income from operating activities

	2023	2022
Operating Revenues		
Real estate rental income	26,620,808	26,156,537
Hotel and hospitality revenues	3,484,058	2,855,214
Sale of land and properties held for trading	500,000	615,000
	<u>30,604,866</u>	<u>29,626,751</u>
Operating expenses		
Property expenses	(5,637,084)	(5,238,508)
Hotel and hospitality expenses	(2,721,145)	(2,720,772)
Cost of selling lands	(26,611)	(28,607)
	<u>(8,384,840)</u>	<u>(7,987,887)</u>
	<u>22,220,026</u>	<u>21,638,864</u>

- Hotel expenses include an amount of KD 857,407 that represents the current year depreciation of the hotel building and related equipments (KD 872,753 - 31 December 2022).

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(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

	2023	2022
Investment at FVOCI		
Cash dividends	3,070,047	2,492,729
Investments at fair value through profit or loss		
Change in fair value – gain	6,211,288	1,659,275
Cash dividends	608,420	253,148
Loss from sale	(33,842)	-
	<u>6,785,866</u>	<u>1,912,423</u>
	<u>9,855,913</u>	<u>4,405,152</u>

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

	2023	2022
Sale of land and properties held for trading	500,000	615,000
Cost of sell land and properties held for trading	(26,611)	(28,607)
	<u>473,389</u>	<u>586,393</u>

23. Provision and impairment

	2023	2022
Reversal of impairment related to investment in associates	254,315	3,634,018
Impairment related to advance payment for purchase of lands and others	-	(238,274)
Net movement in provision for credit losses of lease receivables	(321,711)	71,269
	<u>(67,396)</u>	<u>3,467,013</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 2023/2022.

	2023	2022
Net profit for the year attributable to the shareholders of the Parent Company	14,423,931	12,479,693
Weighted average number of outstanding shares (share)	1,774,881,910	1,811,363,284
Basic earnings per share (fils)	<u>8.13</u>	<u>6.89</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 (%)	
			2023	2022
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.9	77.77
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	81.90	81.90

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(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

	2023	2022
Current assets	692,299	1,122,479
Non-current assets	67,761,162	70,452,240
Current liabilities	5,760,296	2,357,204
Non-current liabilities	8,130,664	13,757,730
Equity attributable to shareholders of the Parent Company	46,656,630	45,420,888
Non-controlling interests	9,905,870	10,038,897
	2023	2022
Revenue	2,929,208	1,975,134
Expenses	(2,179,261)	(2,059,567)
Profit/(loss) for the year	749,947	(84,433)
Profit/(loss) for the year attributable to shareholders of the Parent Company	578,828	(62,869)
Profit/(loss) for the year attributable to non-controlling interests	171,119	(21,564)
Total comprehensive profit/(loss) attributable to shareholders of the Parent Company	2,229,037	(28,576)
Total comprehensive profit/(loss) attributable to non-controlling interests	219,938	(13,985)
Total comprehensive profit/(loss) for the year	2,448,975	(42,561)
Net cash flow generated from operating activities	5,754,952	5,169,241
Net cash flow (used in) /generated from investing activities	(1,258,642)	(7,249,318)
Net cash flow used in financing activities	(4,816,596)	1,149,048
Net change in cash and cash equivalents of the subsidiary	(320,328)	(931,032)

Al Mutajara Real Estate Company

	2023	2022
Current assets	10,854,798	10,492,432
Non-current assets	74,694,971	74,783,359
Current liabilities	1,650,673	1,640,984
Non-current liability	18,387,000	22,066,000
Equity attributable to shareholders of the Parent Company	51,258,123	48,172,346
Non-controlling interests	14,253,933	13,396,461
	2023	2022
Revenue	7,826,411	4,703,752
Expenses	(1,286,785)	(1,390,458)
Profit for the year	6,481,756	3,313,294
Profit for the year attributable to shareholders of the Parent Company	4,947,623	2,381,082
Profit for the year attributable to non-controlling interests	1,534,133	932,212
Total comprehensive income attributable to shareholders of the Parent Company	4,448,048	2,512,156
Total comprehensive income attributable to non-controlling interests	1,392,424	969,651
Total comprehensive income for the year	5,840,472	3,481,807
Dividends paid to non-controlling interests	449,909	454,494
Net cash flow used in operating activities	2,574,849	2,738,822
Net cash flow (used in)/ generated from investing activities	3,551,359	(5,287,612)
Net cash flow generated from / (used in) financing activities	(6,848,104)	973,046
Net change in cash and cash equivalents of the subsidiary	(721,896)	(1,575,745)

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

26. Dividends

On 11 April 2023, the ordinary Assembly General Meeting was held and approved cash dividends of 3% per share and 3% bonus share from the treasury shares "3 treasury shares per 100 shares" as of 31 December 2022 (cash dividends 5% after deduction of treasury shares, for the year ended 31 December 2021).

Proposed dividends 2023

The Parent Company's Board of Directors proposed cash dividend of 4% after deduction of treasury shares and 2% bonus share from treasury shares (2 treasury shares per 100 shares) for the year ended 31 December 2023. 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:

	2023	2022
Transactions		
Key management remuneration	1,139,649	896,625
Operating income	80,453	76,144
Profits from sale Of OCI investment	242,400	-
Operating expenses and other charges	457,002	349,335
Purchase of property, plant and equipment	57,351	54,532
Investment at fair value through profit or loss	64,468	935,860
Balances		
Payables and other credit balances (Note 19)	96,465	88,555
Key management remuneration	659,092	634,923

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

	2023	2022
Uncalled capital – investments	925,007	1,706,550
Contracts for projects under development	3,747,574	1,847,283
	<u>4,672,581</u>	<u>3,553,833</u>

29. Contingent liabilities

	2023	2022
Letter of guarantee	4,241,152	4,160,488

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 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

	2023			
	Real estate sector	Hotel	Investment sector	Total
Revenue	25,176,886	3,484,058	12,570,906	41,231,850
Direct cost	(7,428,059)	(2,721,645)	(749,116)	(10,898,820)
Gross profit	17,748,827	762,413	11,821,790	30,333,030
Unallocated costs				(14,203,847)
Net profit				16,129,183

	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

Geographic distribution

	2023			
	State of Kuwait	Gulf Countries	Other	Total
Total income	23,984,704	4,315,975	4,717,261	33,017,940
Total expenses	(15,618,998)	(1,264,129)	(5,630)	(16,888,757)
Net profit	8,365,706	3,051,846	4,711,631	16,129,183

	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

Geographic distribution of assets and liabilities

	Assets		Liabilities	
	2023	2022	2023	2022
State of Kuwait	415,213,129	417,628,851	242,725,055	234,319,570
Gulf countries	66,424,241	63,514,477	3,258,735	5,638,665
Other	79,864,095	71,914,322	-	-
	561,501,465	553,057,650	245,983,790	239,958,235



شركة أسامة حمود للتطوير العقاري ش.م.ك.م.
AL SALMIYA GROUP FOR ENTERPRISE DEVELOPMENT CO. K.S.C.C.



The Commercial Real Estate Co. K.P.S.C. الشركة التجارية العقارية ذ.م.م.

www.altijaria.com



C.R. 239 - Capital: KD 184,069,975
Tel.: (+965) 1805252, 22902900 - Fax: (+965) 22902901
State of Kuwait - P.O.Box: 4119 Safat 13042
E-mail: crc@altijaria.com

www.altijaria.com

