



The Commercial Real Estate Co. K.P.S.C. الشركة التجارية العقارية ك.م.س.ع.

ANNUAL REPORT 2021







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



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



**His Highness
Sheikh Sabah Al-Khalid Al Hamad Al Sabah
Prime Minister of Kuwait**

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Board of Directors



Abdulfatah M R Marafie
Chairman



Adwan Mohammad AlAdwani
Vice Chairman



Ibrahim M AlGhanim
Board Member



Hussain Abdullah Johar
Board Member



Abdulaziz Al Hasawi
Board Member



Abdulmutaleb A M Marafie
Board Member



Talal J Al Bahar
Board Member



Yousef Y AlAwadhi
Board Member

Chairman's Message



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

On behalf of myself and my fellow members of the Board of Directors, the executive management and all the company's employees, I am pleased and honored to welcome you to the annual meeting of your esteemed Assembly, wishing you sustainable safety, health and wellness, and may Allah protect you and Kuwait from the tragic consequences of the pandemic. I started off our meeting by thanking Allah, the Almighty, expressing my deepest gratitude and thanks to you, based on your continuous support and trust, which represents the main motivator to make the utmost effort to meet your aspirations and work to achieve the company's goals and strategies.

The members of the Board of Directors, and myself are pleased to present to you the company's annual report on the consolidated financial statements for the fiscal year ending on December 31st, 2021, which includes a clear image of the company's performance and financial position. It presents the most important achievements during this year, reflecting the efforts made to develop and enhance performance and achieve the desired goals to ensure the interests of shareholders.

Dear Shareholders,

Despite the ongoing challenges due to the spread of the novel Corona virus (Covid-19), which continues to cast a shadow in affecting the global, regional and local economy, Al- Tijaria Company was able, thanks to Allah, to maintain its course and approach thanks to the strategies implemented by the Board of Directors, which seeks perpetually to develop performance and achieve growth in shareholders' equity.

The company's results during 2021 indicate recovery of the company's performance in the aftermath of the coronavirus pandemic, as the company's made a net profit of 12,537,227 KD (only twelve million five hundred and thirty-seven thousand two hundred and twenty-seven Kuwaiti Dinars), with an increase of 1147% compared to 2020.

During 2021, the company continued to achieve high performance rates and revenues compared to 2020, where the return on equity reached 4.3%, with an increase of 1117%. The return on the company's paid-in capital amounted to 6.8%, with an increase of 1147%, and the consolidated return on the total assets was 2.4%, with an increase of 468%. Moreover, there is a growth in shareholders' equity by 2.5% and a decrease in the company's liabilities by approximately 2.7% compared to 2020.

Furthermore, the company's business also witnessed improvements in many of its activities, the most important of which is the increase in real estate income, as the total operating income from real estate and the hotel amounted to 25.3 million Kuwaiti Dinars for 2021, with an increase of 23.1% compared to 2020. As for the hotel industry,

it continued to be affected during 2021 by the coronavirus pandemic. We, in Al-Tijaria Real Estate Company, have taken steps and decisions that had a positive impact in boosting the performance of the Symphony Hotel, which led to a significant reduction in costs in line with the current market conditions, in addition to developing marketing strategies targeting the local market, increasing occupancy and bookings, and successfully attracting customers in confronting of the pandemic and its repercussions, especially on the services sector.

Based on the conservative principle that we follow, in order to preserve the shareholders' equity and to demonstrate the real value and strength of the company's assets, after conducting a careful study of the status of these assets, in application of international standards, the necessary provisions have been taken to face the negative effects resulting from the crisis and its repercussions on the local and global economy.

Based on the achieved results, the company's board of directors recommended distributing cash dividends of 5% of the nominal value of the share. It is worth noting that the board's recommendations regarding the distribution of dividends took into account the criteria of balancing between internal and external sources, the company's future expectations, and the cost of shareholders' invested funds to meet the local market conditions currently and in the future.

Dear Shareholders,

The strength of the company's assets and its distinguished performance led to its classification according to the "Forbes Middle East 2021" list among the 50 most powerful real estate companies in the Middle East and North Africa, where the company ranked twenty-sixth, while locally it ranked second place.

Previous experiences have proven that Al-Tijaria is capable of overcoming crises and even coming out of them stronger, more determined to achieve the goals it has set, which will necessarily lead to enhancement of shareholders' equity. The company continues to give and achieve regional and geographical expansion, depending mostly on the company's internal sources of funds through the disposal of some non-generating assets. The company's management strives to set and develop conservative and promising strategic plans for expansion, development and investment, which will achieve strong financial results in accordance with practical and innovative solutions characterized by sufficient flexibility to meet the changing needs of its customers as well as facing challenges and discovering new horizons for the benefit of our shareholders, partners and the communities in which we work. Locally, the company is working on increasing its real estate portfolio as well as developing its current properties, which will temporarily reflect on the increase in the company's operational revenues in the upcoming years.

In conclusion, I would like to thank you for your great confidence, which is the motive and drive of our path, and I invite you to advise us of your sound opinions, as we are accustomed to from you, in a way that combines with our efforts and our continuous pursuit to achieve the desired goals. As you are familiarized with us, dear shareholders, the open-door policy for the management of the company and those in charge of it is one of our practical slogans, accompanied by transparency in presentation of information.

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



Abdulfatah M.R. Marafie
Chairman

Governance Report:

Governance

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

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

During 2021, 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 Governance Committee and the Board of Directors also supervised the implementation process through periodic reports submitted to the Committee and the Board. The Board did not detect any deviations on the approved policies and rules or supervisory instructions regarding governance applications.

Rule # 1 - Build a Balanced Board Structure

Board of Directors

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

Board members elected/appointed on April 11 th , 2021				
#	Names	Positions and ratings	Qualification	Practical experience
1	Abdulfatah M R Marafie	Chairman of the Board (Non-executive)	Bachelor of Commerce (Administrative Sciences / Industrial Management)	More than 43 years in the real estate, banking and investment sectors
2	Adwan Mohammad AlAdwani	Vice Chairman of the Board (Non-executive)	Bachelor's degree in English Language and Literature	More than 46 years in the real estate, banking and investment sectors
3	Ibrahim M AlGhanim	Board Member (Non-executive)	Bachelor of Science in Marine Engineering	More than 43 years in the real estate, hospitality, entertainment, services and oil sectors
4	Hussain Abdullah Johar	Board Member (Non-executive)	Master of Business Administration and Bachelor of Commerce and Marketing	More than 40 years in the real estate, hospitality, services, investment and development sectors
5	Abdulaziz Al Hasawi	Board Member (Independent)	Bachelor of Business Administration	More than 35 years in the real estate, tourism, hospitality and banking sectors
6	Abdulmutaleb A M Marafie	Board Member (Executive)	Master of Business Administration Bachelor of Civil Engineering	More than 22 years in real estate, business development, projects, tourism and hospitality
7	Talal J Al Bahar	Board Member (Non-executive)	Bachelor of Business Administration	More than 15 years in the real estate, investment and hospitality sectors
8	Yousef Y AlAwadhi	Board Member (Non-executive)	Bachelor of Business Administration (Accounting)	More than 16 years in the banking, investment, education and real estate sectors
-	Iman Amin El Mokaddem	Secretary	Bachelor of Business Administration	More than 22 years in the field of office management, executive management secretarial and senior management

Board of Directors

The Board of Directors was formed on April 11th, 2021, the number of members is eight, and the Board meets at least six times annually

Dates and attendance of the Board meetings

#	Members & Positions	1/2021	2/2021	3/2021	4/2021	5/2021	6/2021	7/2021	8/2021
		February 16th	March 9th	March 16th	April 11th	May 10th	August 12th	November 10th	December 14th
1	Abdulfatah M. R Marafie Chairman of the Board (Non-executive)	✓	✓	✓	✓	✓	✓	✓	✓
2	Adwan Mohammad AlAdwani Vice Chairman of the Board (Non-executive)	✓	✓	✓	✓	✓	✓	✓	✓
3	Ibrahim M AlGhanim Board Member (Non-executive)	✓	✓	✓	✓	✓	✓	✓	✓
4	Hussain Abdullah Johar Board Member (Non-executive)	✓	✓	✓	✓	✓	✓	✓	✓
5	Abdulaziz M A Al Hasawi Board Member (Independent)	✓	✓	✓	✓	✓	✓	✓	✓
6	Abdulmutaleb A. M Marafie Board Member (Executive)	✓	✓	✓	✓	✓	✓	✓	✓
7	Talal J AlBahar Board Member (Non-executive)	✓	✓	✓	✓	✓	✓	✓	✓
8	Yousef Y AlAwadhi Board Member (Non-executive)	-	-	-	✓	✓	✓	✓	✓
-	Iman Amin ElMoKaddem Secretary	✓	✓	✓	✓	✓	✓	✓	✓

Coordination of board meetings and recording and keeping minutes of meetings

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

- Coordination and preparation for Board of Directors meetings, including dates, agenda, documents, etc., and providing members with them, three working days before the date of the meeting.
- Recording and keeping all minutes of the Board's meetings, its records, files and reports submitted to and from the Board.
- Recording the minutes of the Board's meetings according to items of the agenda and the new tasks, decisions, recommendations and reservations in detail, provided that the minutes include the numbers of the successive meetings for each year, date of the meeting, start and end hours, names of those present and those absent with the reasons, and the names and titles of the attendees by invitation from outside the Board.
- Discussing all topics on agendas of the meetings with utmost transparency provided that members are provided with information that allows decisions to be taken. The decisions taken and all facts including reservations (if any) are recorded in the meeting minutes.
- Signing the minutes of the board's meetings by all the attending board members and the secretary.
- Keeping the original minutes of the Board's meetings and ensuring that the members of the Board of Directors have the approved copy and related documents.
- Maintaining a special record in which the minutes of the Board of Directors' meetings are recorded, provided that it includes all the aforementioned information.

Rule #2 - Proper Identification of Tasks and Responsibilities

Duties and Responsibilities of the Board of Directors

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

1. Adopt the important objectives, strategies, plans and policies of the company, provided that they include, as a minimum, the following:
 - The company's comprehensive strategy and main work plans, reviewing and directing them.
 - The optimal capital structure of the company and its financial objectives.
 - A clear policy for distributing profits of all kinds (cash / in kind) in a way that achieves the interests of shareholders and the company.
 - Setting objectives and monitoring performance and implementation.
 - Adopting the organizational and functional structures in the company and conducting periodic review of them.
2. Approving the annual estimated budgets and approving the interim and annual financial statements.
3. Overseeing the main capital expenditures of the company, and owning and disposing of assets.
4. Ensuring the company's compliance with the policies and procedures that ensure the company's respect for the applicable internal regulations and rules.
5. Ensure the accuracy and integrity of the 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 main members.
11. Ensuring that the company's approved policies and regulations are transparent and clear in order to allow the decision-making process and achieve the principles of corporate governance.
12. Segregating of powers and authorities between the Board of Directors and the Executive Management. Accordingly, the Board of Directors must:

- Adopt the internal bylaws and regulations related to the company's business and its development and defining the tasks, competencies and responsibilities between the different organizational levels.
 - Adopt a policy of delegation and implementation of the work entrusted to the executive management.
13. Determining the powers that are delegated to the executive management, the decision-making procedures and the duration of the delegation. The Board also determines the issues that it retains the authority to decide on, and the executive management submits periodic reports on its exercise of the delegated powers.
14. Monitoring and supervising the performance of the executive management and ensuring that they carry out all their duties. The Board shall do the following:
- Ensure that the executive management operates in accordance with the policies and regulations approved by the Board of Directors.
 - Hold periodic meetings with the executive management to discuss the course of work and any obstacles and problems, and to present and discuss important information related to the company's activity.
 - Set performance standards for the executive management those are consistent with the company's goals and strategy.
 -
15. 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.
16. Appointing or dismissing any of the members of the executive management, including the CEO or the like.
17. Developing of a policy that regulates the relationship with stakeholders in order to preserve their rights.
18. Establishing a mechanism to regulate transactions with related parties in order to reduce conflict of interests.
19. Ensuring periodically the effectiveness and adequacy of the internal control systems in force in the company and its subsidiaries, including:
- Ensuring the integrity of the financial and accounting systems and the systems related to the preparation of financial reports.
 - Ensuring the application of appropriate control systems to measure and manage risks, by identifying the factors and types of risks that the company may face, creating an environment familiar with the culture of risk reduction at the company level, and presenting it transparently with stakeholders and related parties.
 - Adopting the rules of conduct and work ethics and the company's work policies and procedures.
 - Recommending the appointment of independent auditors and the Shari'a Supervisory Board.
 - Forming the committees of the Board of Directors in accordance with the internal regulations set by it, defining the tasks of the committees, the duration of their work, their powers, the method of the Board's control over them, and the mechanism for submitting recommendations from the committees to the Board for approval and transparent decision-making.

Executive Management		
#	Name	Job Title
1	Abdulmutaleb A. M Marafie	C.E.O. Admin & Legal Affairs Group
2	Saleh Ahmad AlAryan	C.E.O, Technical Affairs Group
3	Yousef Ghazi Alsaqabi	CEO of Technical Affairs Group
4	Mohammad Haider Ghadhanfari	Deputy C.E.O Admin & Legal Affairs Group
5	Fuad Hasan Zarour	Accounting Dept. Manager
6	Mansour Mohsen Kamal	Internal Audit Dept. Manager
7	Essam Mohamed Refaat Mahmoud	Legal Affairs Dept. Manager
8	Ahmed Esmaeil Elkalshy	H&R and Admin. Affairs Dept. Manager
9	Nisanth Kondiara Chandran	Facilities Management Dept. Manager
10	Emad Mahmoud AlHaniny	IT Dept. Manager
11	Walid Wizani	Head of the Strategic Planning Section & Acting Manager of Finance
12	Khaled Enad Kanaaneh	Project and Projects Control Dept. Manager
13	Iman Amin ELMokaddem	Chairman's Office Dept. Manager
14	Eva Saeed Awwad	Property Management Dept. Deputy Manager
15	Ahmed Abbas Shakib	Investment Dept. Deputy Manager

Duties and Responsibilities of the Executive Management

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

Executive management duties:

1. Executing the strategy and all plans, policies, regulations and internal regulations approved by the Board of Directors.
2. Developing an integrated accounting system that maintains books, records and accounts that reflect in a detailed and accurate manner the financial statements and income accounts, thus allowing the preservation of the company's assets and the preparation of financial statements in accordance with international accounting standards.
3. Managing the daily work and optimally managing all activities, human and financial resources, maximizing profits, minimizing expenses, and achieving goals and company strategy.
4. Implementing the internal control and risk management systems, ensuring the efficiency and effectiveness of these systems, and ensuring compliance with the risk appetite approved by the Board of Directors.
5. Participating efficiently in building and developing a culture of ethical values in the company.
6. Taking the responsibility for the company's overall performance and business results through the establishment of a management structure that enhances accountability and transparency.
7. Providing the necessary information and reports to the Board of Directors in a timely, accurate and comprehensive manner.
8. Presenting recommendations regarding the strategy and plans followed for improvement and development through well-thought-out plans to ensure their efficiency and effectiveness.
9. Submitting proposals and reports on the powers and authorities granted to the executive management.
10. Committing to implement the powers and responsibilities granted in accordance with the approved system of authorities.
11. Developing, amending and updating policies and procedures, approving them in principle and submitting them to the relevant committees and the Board for final approval to ensure the best application.
12. Supervising and following-up to ensure the implementation of the laws, regulations and policies followed, including the governance guide, by employees, and preparing reports that include recommendations regarding obstacles and violations resulting from the application.

Board of Directors Achievements

1. Following up the implementation of the objectives in accordance with the strategies and plans of the company.
2. Reviewing and approving the interim and annual financial statements.
3. Studying, reviewing and approving the estimated budget, policies, procedures, plans and reports related to the company's business and activities.
4. Following up the implementation of the requirements of the Capital Markets Authority related to corporate governance, which requires doing the following:
 - Follow up on the decisions of the committees emanating from the Board of Directors and the recommendations issued by them.
5. Following up on the reports of the Internal Audit Unit and take the necessary corrective actions.
6. Following up on the reports of the Risk Management Unit.
7. Approving of the company's corporate governance report.
8. Following-up on the progress of work resulting from the repercussions of the Corona virus (Covid-19) and the decisions issued regarding closures and their impact on business in terms of granting exemptions to tenants during periods of total or partial ban.
9. There is no conflict between the recommendations of the Risk and Audit Committee and the decisions of the Board of Directors and that all the recommendations issued by the Committee have been reviewed and approved by the Board of Directors, and the company is committed to issue a statement in the event of a conflict between the recommendations of the Committee and the decisions of the Board of Directors and the reasons that led to the Board's decision not to comply with those recommendations.

Formation of Board Committees

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

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

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

Conditions to be met by Committee Members

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

Committee Membership

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

Board Members Obtain Accurate and Timely Information and Data

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

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

Governance Committee

Formation requirements, objectives, tasks and responsibilities

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

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

Governance Committee Achievements

The Committee submits all its recommendations to the Board of Directors and its achievements include the following:

- Submitting recommendations to the Board of Directors regarding the social responsibility plan.
- Submitting recommendations to the Board of Directors regarding the review of the corporate governance report and the annual report.
- Providing the members of the Board of Directors and the Executive Management with all decisions and instructions issued by the Capital Markets Authority on a quarterly basis.
- Providing the members of the Board of Directors and the Executive Management with all the company's disclosures to the Kuwait Stock Exchange and the Capital Markets Authority, on a quarterly basis.

Governance Committee

The Governance Committee was formed on April 11, 2021, number of its members is not less than three. The work of the committee extends throughout the term of the Board's work. The committee meets at least twice annually

Dates and attendance of committee meetings

#	Members' names and positions	1/2021 March 15th	2/2021 December 13th
1	Abdulfatah M R Marafie - Chairman (Non-Executive)	✓	✓
2	Hussain Abdullah Johar - Vice Chairman (Non-Executive)	✓	✓
3	Adwan Mohamad AlAdwani - Member (Non-Executive)	-	✓
4	Yousef Y AlAwadhi - Member (Non-Executive)	-	✓
-	Iman Amin ElMokaddem - Rapporteur / Secretary of the Committee	✓	✓

Formation requirements, objectives, tasks and responsibilities

The Board of Directors has fulfilled the requirements for the formation of the Risk and Audit 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 to carry out its responsibilities to verify compliance with auditing standards and the effective application of the company's various policies. Moreover, it identifies weaknesses and takes corrective action in respect of them. Furthermore, it works on managing the risks that the company may be exposed to, setting the necessary controls to reduce them, determining the risk appetite of the company and the acceptable ratios thereof in exchange for the expected benefits, and submitting relevant recommendations to the Board of Directors.

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

16. Holding periodic meetings with the external auditor at least four times annually, as well as when needed at the request of the committee.
17. Holding periodic meetings with the internal auditor at least four times annually, as well as when needed at the request of the committee.
18. Studying and submitting of recommendations to the Board regarding ensuring periodically the effectiveness and adequacy of the internal control systems in force 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.
 - Recommending the appointment of independent auditors.
19. Ensuring the availability of adequate resources and systems for risk management, reviewing the organizational structure for risk management and making recommendations thereon before being approved by the Board of Directors, verifying that the management staff have a full understanding of the risks surrounding the company, and ensuring the independence of risk staff from operational activities.
20. Assisting the Board in identifying and evaluating the level of risks acceptable to the company and evaluating the systems and mechanisms for identifying, measuring and following up on the different types of risks that the company may be exposed to.
21. Reviewing the company's risk assessment reports and the measures taken to reduce or confront risks within the acceptable and approved risk ratios of the company in exchange for the expected benefits.
22. Preparing and reviewing risk management strategies and policies before being approved by the Board of Directors, and ensuring that they are consistent with the company's activities.
23. Reviewing the adequacy and effectiveness of the company's internal control systems, including strategies, policies and procedures related to sound practices for managing and controlling various risks, and verifying the implementation of those policies and strategies.
24. Reviewing the notes raised by the Risk and Audit Committee that may affect the company's risk management.
25. Reviewing and initial approval of the policies and procedures manuals for risk management.
26. Submitting recommendations to the Board of Directors for review, information, and final approval.
27. Carrying out any other responsibilities entrusted to the Committee by the Board of Directors in accordance with the approved authority matrix.

Achievements of the Risk and Audit Committee

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

- Submitting recommendations to the Board regarding the interim and annual financial statements in accordance with the committee's meetings in the presence of the external auditor.
- Submitting recommendations to the Board regarding the internal audit plan.
- Approving internal audit reports and taking corrective actions and following them up.
- Submitting recommendations to the Board regarding the risk management plan, risk assessment reports and risk operations record.
- Submitting recommendations to the Board regarding the appointment of the Audit Office to prepare a report on the Internal Control Systems (ICR) annually.
- Submitting recommendations to the Board regarding the appointment of an audit office to prepare the Quality of Audit Report (QAR) every three years.
- Making recommendations in some other control matters such as information security, information technology audit and recommending the appointment of ISO consultancy services.

Risk and Audit Committee

The Risk and Audit Committee was formed on April 11th, 2021, number of its members is not less than three, and one of its members is independent and one is non-executive. The work of the committee extends throughout the term of the Board's work. The committee meets at least four times annually

Dates and attendance of committee meetings

#	Name of the Members	1/2021 March 15th	2/2021 May 9th	3/2021 June 28th	4/2021 August 12th	5/2021 November 9th	6/2021 December 13th
1	Ibrahim M AlGhanim Chairman (Non-Executive)	✓	✓	✓	✓	✓	✓
2	Adwan Mohammad AlAdwani Vice Chairman (Non-Executive)	✓	✓	✓	✓	✓	✓
3	Abdulaziz Al Hasawi Member (Independent)	-	X	✓	✓	X	✓
4	Yousef Y AlAwadhi Member (Non-Executive)	-	✓	✓	✓	✓	✓
-	Mansour Mohsen Kamal Committee Rapporteur	✓	✓	✓	✓	✓	✓
-	Rawan Jalal Sabbah Committee Secretary	✓	✓	✓	✓	✓	✓

Remuneration and Nominations Committee

Formation requirements, objectives, tasks and responsibilities

The company's board of directors has fulfilled the requirements for forming Remuneration and Nomination committee, which consists of four members and its chairman, is a non-executive member of the board, including an independent member. The committee meets at least twice annually and aims to assist the Board of Directors to carry out its supervisory responsibilities and duties to ensure the nomination of the competencies necessary for membership of the Board of Directors, executive and administrative positions in the company; to verify that they are carried out in accordance with an institutional framework characterized by efficiency and complete transparency which is fundamentally in the interest of the company, accordingly achieving the objectives of the shareholders. In addition to that, the committee shall take the supervisory tasks to ensure the safety of the validity of the company's remuneration and allowances calculation policy for members of the Board of Directors and the executive management. Furthermore, the committee shall verify that remuneration and allowances calculation policy is fair and contributes primarily to attracting human cadres with professional competence and high technical capabilities, as well as consolidating the principle of belonging to the company in accordance with the following powers:

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

Achievements of the Remuneration and Nominations Committee

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

- Submitting recommendations to the Board regarding professional liability insurance for members of the Board of Directors and the Executive Management.
- Submitting recommendations to the Board regarding reviewing and approving policies and procedures related to the committee's tasks.
- Submitting recommendations to the Board regarding the adoption of the training plan, the employment plan, and the job replacement plan.
- Submitting recommendations to the Board regarding the remuneration of members of the Board of Directors and the allowance for attending committee meetings.
- Submitting recommendations to the Board regarding the remuneration of the executive management and employees of the company and its subsidiaries.
- Submitting recommendations to the Board regarding a detailed 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.

Remuneration and Nominations Committee

This Remuneration and Nomination Committee was formed on April 11, 2021, the number of its members is not less than three, one of its members is independent and the other is non-executive, and the work of the committee extends throughout the term of the Board's work. The committee meets at least twice a year.

Dates and attendance of committee meetings

#	Members' names and positions	1/2021 March 16th	2/2021 December 13th
1	Talal J Al Bahar - President (Non-Executive)	✓	✓
2	Adwan Mohammad AlAdwani - Vice President (Non-Executive)	✓	✓
3	Abdulaziz Al Hasawi - Member (Independent)	✓	✓
-	Ahmed Esmaeil Elkalshy - Rapporteur of the Committee	✓	✓
-	Fayrouz Shaheen - Secretary of the Committee	✓	✓

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

Incentives and rewards policy

The company grants its employees annual bonuses in the event that the company achieves the profits and objectives to be achieved during the year, taking into account the following:

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

The job level of the evaluator:

- Employees are evaluated by department heads (direct manager), provided that they are approved by each of the department managers, the group chief executive, and the chief executive for administrative and legal affairs.
- Heads of departments are evaluated by department managers, provided that they are approved by both the Group CEO, and the CEO for Administrative and Legal Affairs.
- Departmental managers are evaluated by the group CEOs.
- The performance of the CEOs is evaluated by the Chairman of the Board of Directors.
- A summary of the evaluation results is presented to the management committee to study the submitted evaluation and to set the committee's evaluation of the employee.
- The evaluation results are submitted to the Remuneration and Nominations Committee for review and approval.

Report of remunerations, benefits and privileges granted to members of the Board of Directors and the Executive Management for the fiscal year ending on 31/12/2021

The following is the report on the remunerations, benefits and privileges granted to members of the Board of Directors and the Executive Management for the fiscal year ending on 31/12/2021.

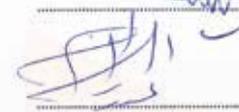
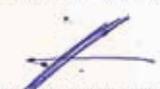
Remunerations, benefits and privileges granted to members of the Board of Directors and Executive Management	Amount (thousand K.D)
Fixed benefits (health insurance - basic wages and salaries and vacations)	710
Variable remuneration (annual remuneration and board member remuneration)	428
End of Service Remuneration	73

During the year, the company did not record any deviations or fundamental changes from the approved policy in granting bonuses and benefits approved by the Board of Directors.

Rule# 4 - Ensure the Integrity of Financial Reports

Acknowledgment and declaration (adequacy and integrity of financial statements) For the fiscal year ending on 12/31/2021

The Chairman and members of the Board of Directors of the Commercial Real Estate Company (Al- Tijaria) acknowledge and undertake the adequacy 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 represent the company's financial position As on December 31, 2021, based on the information and reports provided to us by the executive management and the auditors, and the due diligence to verify the integrity and accuracy of these reports.

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

Acknowledgment and declaration (adequacy and integrity of financial statements) For the fiscal year ending on 12/31/2021

We, the undersigned, acknowledge and undertake the safety and integrity of the financial reports, which cover all financial aspects of data and operational results as come to our knowledge, and as provided to external auditor, and in accordance with International Financial Reporting Standards (IFRS), and that the consolidated financial statements of the Commercial Real Estate Company (Al- Tijaria) fairly represent in all material respects, the financial position as of December 31, 2021, 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 explanatory notes to the consolidated financial statements.
- Significant accounting policies.



Abdulfatah M R Marafie
CEO



Fuad Hasan Darweesh
Accounting Dept. Manager



Walid Wizani
Head of the Strategic Planning
Department
Acting Finance Dept. Manager

Duties and Responsibilities of the Internal Audit Department

Al-Tijaria, in the field of internal audit relies on an independent department created for internal audit purposes. The Board of Directors ensures 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 Risk and Audit Committee reviews the results of the internal audit reports, and follows up on taking the necessary corrective actions regarding the observations contained in the reports.

Risk and Audit Committee Report

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

Independence and neutrality of the External Auditor

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

- Nominating the auditor based on a recommendation from the Risk and Audit Committee submitted to the Board of Directors.
- 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.
- Ensuring the independence of the external auditor from the company and its board of directors, and not carrying out additional work for the company, except for auditing and auditing, to ensure that neutrality and independence.
- Inviting the auditor to attend the meetings of the Risk and Audit 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 for decision making.
- The external auditor was able to attend the meetings of the general assemblies and read the report prepared by him to the shareholders, explaining any obstacles or interferences he faced from the Board of Directors during the performance of his work, and the external auditor must inform the Supervisory Board of any fundamental violations or obstacles and their details.

Rule #5 - Establishing Proper Systems for Risk Management and Internal Control

Internal supervisory and control systems

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

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

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

Fatwa and Sharia Supervisory Board

Members of Fatwa and Sharia Supervisory Board

Sheikh / Yusuf Mahmoud Ali
Sharia Board Member

Dr. Syed Muhammad al-Sayyid Abdul
Razzaq Al-Tabtabai
Head of the Shariah Board

Dr. Bader Abdul Razzaq Al-Mass
Sharia Board Member



*Dar Al-Reqabah
for Islamic Consultations*

Legislative Control House Report

01/01/2021 – 31/12/2021

Messrs/ The shareholders of the Commercial Real Estate Company

According To link contract concluded with Shari`a Supervisory Board, we have audited the contracts and dealings executed by the company during the past fiscal year ended on 31/12/2021, to express our opinion regarding company compliance with regulation of Islamic low, as expressed in showing opinions guidelines and Shari`a decisions issued by us.

Responsibility of complying with contracts and transactions according to Islamic Sharia Regulations is assumed by company administration. Our responsibility is limited to express an independent opinion for company compliance with such matters based on company compliance according to this audit.

We executed the audit process which required us to plan, execute audit procedures and get all information, explanations and decisions which is considered necessity to provide us with enough evidences which gives a sufficient assurance that: the company is in compliance with the provisions of Islamic Sharia indicated before.

Our audit based on inspecting samples of each contracts and dealings executed during the contact period and we think that audit tasks assumed by us provides executed by us provides an appropriate basis to show our interest.

Therefore, we would like to inform you the following:

- The company during the defined fiscal year was committed to its objectives regarding contracts and dealings according to Islamic Sharia, as indicated in the opinion guidelines and sharia decisions approved by us.
- The shareholders are responsible for relaxing ZAKAT.

Peace be upon our prophet, his family and companions.

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

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

Prof. Sayed Mohammad Al-Tabtabai
Chairman of the Shariah Committee

Prof. Badr Abdel-Razzaq Almass
Member

Sheikh Yusuf Mahmoud Ali
Member

reqabah@gmail.com

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نظرو وشركاه

محاسبون قانونيون واستشاريون - عضو نكسا الدولية
NAZAR & PARTNERS
Authorized Auditors & Consultants

الكويت في 9 مارس 2022

السادة أعضاء مجلس الإدارة المحترمين
شركة التجارة العقارية ش.م.ك
دولة الكويت

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 2021 فقد قمنا بفحص وتقييم نظم الرقابة الداخلية للشركة وقد تضمن الفحص الإدارات التالية :

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

قمنا بأعمال الفحص وفقاً لتعليمات حوكمة الشركات الصادرة من قبل هيئة أسواق المال. نود أن نشير إلى إنكم وبصفتكم أعضاء مجلس الإدارة في الشركة تعتبرون مسؤولون عن إعداد والاحتفاظ بالأنظمة المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية لشركةكم مع الأخذ في الاعتبار أن التكاليف المتعلقة بتلك الأنظمة يجب أن تكون متناسبة مع العوائد المتوقعة من تطبيق تلك الأنظمة. وتجدر الملاحظة بأن الهدف من هذا التقرير هو تقديم تأكيدات معقولة ولكن غير قاطعة بأن الأصول قد تم حمايتها ضد الخسائر الناتجة عن أي استخدام أو تصرف غير مصرح به وأن المخاطر قد تم مراقبتها وتقييمها بشكل جيد وأن المعاملات قد تم تنفيذها وفقاً لإجراءات الاعتماد الموضوعية وأنه يتم تسجيلها بشكل مناسب وفق إجراءات الموافقة المعتمدة، ولتتمكنكم أيضاً من ممارسة أعمالكم بشكل جيد وبكل عنابة ودقة.

نظراً للمحددات المتأصلة في أية أنظمة محاسبية وأنظمة رقابة داخلية ، إلا أن الأخطاء أو المخالفات يمكن أن تحدث بالرغم من ذلك ولا يتم اكتشافها أو تتبعها. كما أن تقدير أي تقييم للأنظمة للفترة المستقبلية يخضع لمخاطر أن معلومات الإدارة والإجراءات الرقابية قد تصبح غير مناسبة بسبب التغيرات في الظروف ، أو أن درجة التقيد بتلك الإجراءات يمكن أن تنخفض.

برأينا، وفيما يتعلق بطبيعة وحجم الأعمال خلال السنة المنتهية 31 ديسمبر 2021 فإن السجلات المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية التي تم فحصها من قبلنا قد تم إعدادها والاحتفاظ بها وفقاً لتعليمات هيئة أسواق المال باستثناء الأمور المبينة في الملحق الثاني بهذا التقرير.

ونفضلوا بقبول فائق الاحترام والتقدير،،،



ناصر عوض نظر
مراقب حسابات - مرخص فئة أ رقم - 43
من نظر وشركاه
عضو نكسا الدولية



ناصر عوض نظر
محاسب قانوني ١٢-١٠ - الكويت

Related Party Transactions Report
For the fiscal year ending on December 31, 2021

Dear Shareholders,

On my own behalf, and on behalf of my fellow members of the Board of Directors, I am pleased to present to you the report of the Commercial Real Estate Company (Al-Tijaria) regarding the report on dealings with related parties according to the following:

Related parties are members of the Board of Directors, key management personnel of the Group, major shareholders, associates and companies in which the directors and key management personnel of the parent company have major shares or can exercise effective influence or joint control over them. The pricing policies and terms of these transactions are approved by the management of parent company.

The following are the most important transactions and balances with related parties during the year 2021.

Transactions	K.D
Advantages of Top Management	979.341
Operating Income	21.235
Operating expenses and other charges	423.751
Purchase of property, plant and equipment	363.360
Investments at fair value through income statement	3.063.099
Advance payments for the acquisition of investments	7.356.458
Balance	K.D
Accounts payable - due to related parties	102,020
Senior management rewards	497.573

It is expected that 2022 will witness transactions with related parties in the interest of the company.

**Annual Report of the Audit Committee of 2021
For the fiscal year ending on 12/31/2021**

On my own behalf and on behalf of my fellow Committee members, I am pleased to present to you the report of the Audit Committee on the work of the financial year ending on December 31, 2021.

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

Kind Regards,



Ebrahim Mohammad Alghanim
Head of the Committee

Duties and Responsibilities of the Risk Management Unit

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

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

This also includes appointing a specialized consulting office to carry out risk management task. The company has worked to integrate the culture and tendency of risk management within the work environment of the company, achieved through an effective policy and defining responsibilities within the company for each manager and employee to make the concept and tasks of risk management part of his job description. This leads to the responsibility and effectiveness of work between all functional levels, groups and departments of the company.

The Risk and Audit Committee also follows up on the reports submitted by the entity designated to carry out risk management operations, in terms of identifying, measuring, analyzing and treating the risks associated with the company's activities. This is to ensure that the necessary and effective corrective measures are taken to manage these risks to reduce their impact and place them within the acceptable range of the company.

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

Types of risks that may roadblock the company path

Strategic Risk	<p>This type of risk focuses on strategic risks and business efficiency, which are risks related to the implementation of the company's general strategy that threaten the achievement of long-term goals and strategies. Below are some examples of strategic risks:</p> <ul style="list-style-type: none"> • The possibility of not adopting and implementing a clear and defined strategy. • The possibility of not providing the financial, technical and human resources necessary to manage the company's business and supervisory functions. 	<p>The asset allocation strategy for the sectoral and geographical classification and distribution of the company's assets and investments was updated during 2016.</p> <p>The strategy is reviewed and approved when necessary 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>Also, advanced information technology systems are being developed and applied to ensure the efficiency and smooth running of business.</p>
Operating Risks	<p>This type of risk focuses on all types of operational risks, which include inadequacy of internal control systems, technological risks, risks of inefficiency and/or effectiveness of processes and procedures in achieving the company's general objectives, and human error and failure of programs and inadequacy and efficiency of procedures and controls contribute to this. We list below some examples of operational risks:</p> <ul style="list-style-type: none"> • Possible deficiency in operational processes and internal controls of information systems and accounting records. • The possibility of insufficient planning in information systems to face emergency calamities. 	<p>Manuals of operational policies and procedures have been developed, as well as internal audit and control systems for operational processes and administrative systems, as well as the application of technical systems necessary for the implementation and follow-up of operations, with the development of control mechanisms and the structure of powers over those systems and work to develop them on an ongoing basis.</p> <p>Backups and protection measures are also being made to ensure data availability and systems continuity in work, as well as remote work techniques and procedures.</p>
Financial Risks	<p>This type of risk focuses on the various financial risks that the company may face, which are the risks of ineffective management and financial control in the company and the impact of external factors such as the ability to provide 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 matches and revisions between what is planned according to the estimated budgets and the actual reality to measure achievement rates and deviation. • The possibility of investing in high-risk sectors, fields and countries without taking into account taking the necessary steps to protect the company from the risks that it may be exposed to from those operations. 	<p>Financial risks are managed through a set of procedures and systems, which include setting estimated budgets at the level of departments, groups and the company as a whole, in addition to effective follow-up and control over the management of financial flows and making periodic comparisons between what is planned within the estimated budget compared to the actual reality to identify deviations and work to correct them to ensure efficient running of operations.</p> <p>Also, periodic reports are submitted to the Board of Directors to monitor the financial performance and compliance with the plans set at the level of operation and investment.</p>

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

Rule #6 - Promote Professional Conduct and Ethical Values

Charter of Standards and Determinants of Professional Conduct and Ethical Values

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

A - Objectives:

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

B - Principles and Standards::

1. The commitment of each of the members of the Board of Directors, the executive management and the company's employees to all laws and instructions, and a commitment to achieve the interest of the company, shareholders and other stakeholders and not the interest of a specific group or group.
2. The members of the Board or the Executive Management shall not use the position's power to achieve any private interest or personal ends for him or for others.
3. Non- exploitation of the company's assets and resources to achieve personal interests and to use them in the best way to achieve the company's goals.
4. Establishing an appropriate and clear system and mechanism that prevents the members of the Board, the executive management and the employees from exploiting the information by virtue of their job position for their personal benefit.
5. Setting the standards, procedures and policies necessary 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 and awareness of responsibilities honestly and faithfully in return for his rights that must be guaranteed by "Al-Tijaria" in accordance with the internal regulations and labor law.
11. Ensuring the freedom to differ in viewpoints between colleagues in seeing things and ideas is a natural matter as long as it does not conflict with the course of work and job tasks and does not lead, directly or indirectly, to obstructing or impeding the achievement of goals.
12. Ensuring the equality between employees.
13. Ensuring respect, constructive dialogue, exchanging ideas, and avoiding controversy is the best and finest means of dealing among all employees, regardless of their job levels, and it is one of the main pillars of the work environment at "Al Tijaria".

Summary of Policies and Mechanisms for Reducing Conflicts of Interest:

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

1. The Board of Directors must have a policy regarding conflict of interest so that this policy includes clear examples of cases of conflict of interest and how to address and deal with them, without prejudice to the cases mentioned in the Companies Law.
2. A member of the board of directors must inform the Board of Directors of his personal interest in the business and contracts that are done for the company's account, and this notification is recorded in the minutes of the meeting, and the member with an interest may not participate in voting on the decision issued in this regard.
3. The Chairman of the Board of Directors informs the General Assembly, when it is held, about the business and contracts in which a member of the Board of Directors has a personal interest, and a special report from the auditor shall be attached to this notification.
4. The company shall assign an independent expert, such as an asset valuer or investment advisor, to submit a report to the General Assembly or the Board of Directors, as the case may be, regarding any transaction between the company and any party related to it, or any arrangement whereby each of the parties enters into any project, asset or Provides financing for it, whenever the value of the transaction or arrangement equals 10% or more of the company's total assets, provided that such report is submitted before approving the deal or arrangement referred to in this Article.
5. No employee or member of the Board of Directors may engage in any activities that may lead to the emergence of a conflict between his interest and the interest of the company, in order to avoid exposing the company to the suspicion of a conflict of interest even if there is no actual conflict of interest. Employees, who are responsible for making purchase orders for supplies, equipment, transportation services, employment contracts and other services for the Company, may not have a significant stake in any company that supplies of services to the Company.
6. It is also not permissible for family members of the employee or a member of the board of directors to have such an interest. The term "significant share" means any financial interest that may influence the employee's decision to engage in business for Al-Tijaria. A potential or real conflict of interest occurs when an employee is in a position influencing a decision that may lead to personal gain for his or her own account or for the account of another employee or a member of his family, friends or acquaintances.
7. The conflict-of-interest policy states that any interest of the employee, member of the Board of Directors, or their relatives should be reported in any contracts or dealings with the company and that they should not take any decision or vote on any decision related to this interest if it exists.
8. The Board of Directors has developed a clear and approved policy for dealing with related parties (if any) to ensure that transactions with related parties are reviewed and initially approved by the Executive Committee, reviewed by the Risk and Audit Committee, and finally approved by the Board of Directors, provided that the approval of the Ordinary General Assembly to deal with related parties at the end of the financial year.
9. The company has also developed a mechanism to ensure that the members of the Board of Directors, the executive management and the company's employees are committed to the policy of reducing conflict of interest by signing declarations stating their knowledge of the policy and their commitment to it and their full responsibility for violating it.

Rule #7 - Accurate and Timely Disclosure and Transparency

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

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

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

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

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

Record of disclosures of members of the Board of Directors and Executive Management

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

Duties and Responsibilities of the Investor/Shareholder Affairs Department

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

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

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

Rule #8 - Respect Shareholders' Equity

Requirements to define and protect the general rights of shareholders

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

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

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

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

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

Al-Tijaria is interested in encouraging all categories of shareholders to attend, participate and vote in the general assembly meeting. The Board of Directors thus commits with 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:
 - All shareholders enjoy the same voting rights granted to them and the same treatment by the company, regardless of their ownership shares.
 - The shareholder has the right to vote personally or by acting proxy, with the same rights and duties in both cases.
 - Informing the shareholders of all the rules governing voting procedures before the start of the assembly.
 - 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 categories of shareholders.
 - No fees are charged for attending any class of shareholders at the General Assembly meetings, and no preferential advantage is granted to any class over other classes of shareholders.

Rule# 9 - Realizing the Role of Stakeholders

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:

- Providing information and opportunities to review it periodically and in a timely manner, through interim financial statements and continuous disclosures and following the transparency policy.
- Developing mechanisms for employees' participation in improving performance by following the open door policy and continuous evaluation and development of performance.
- 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.
- Applying equality in dealing with the various parties to all members of the Board, related parties and stakeholders, without discrimination or preferential conditions.
- The company's commitment to contracts concluded with stakeholders, which ensure that any party receives appropriate and appropriate compensation in accordance with the stipulations of those contracts and in line with the regulating laws.
- 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.
- Establishing specific mechanisms to protect the rights of stakeholders in accordance with the provisions of the contracts and operational policies of the company.
- Putting certain mechanisms to protect the rights of the stakeholders according to what is stated in the contracts and the operational policies of the company.

Rule #10 - Enhance and Improve Performance

Mechanisms for Board members and executive management to receive regular training programs and courses an induction program is provided for new board members and executive management, and this program 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. The company's strategy and objectives. 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:

- The company's strategy and objectives.
- Memorandum of Association and Articles of Association.
- The organizational structure of the company.
- The responsibilities and tasks assigned to the members, as well as the powers and rights.
- The legal obligations of the company and the board of directors.
- The role of the committees emanating from the board through the governance guide.
- Financial statements for the last three years.
- Statement of cash dividends/bonus shares for previous years.
- Plans approved by the Board (career succession plan, training plan, internal audit plan, risk management plan...)
- The estimated budget and the asset allocation strategy approved by the Board.
- 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 and the performance of each member of the Board of Directors and the Executive Management

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

A - Qualitative Indicators:

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

B - Quantitative indicators:ets.

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

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

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

The Corporate Values Company Methodology

Vision

"The Commercial Real Estate Company ranks among the first and largest companies operating in the real estate industry in the State of Kuwait, the regional and international markets." We seek to maintain an advanced position among the best companies operating in the real estate sector at the local, regional and global levels by creating a competitive and ambitious work environment and presenting ideas and projects that support the growth and development of the company and the real estate sector in general.

Mission

"Increasing the company's profits in a way that leads to maximizing shareholders' rights and serving the Kuwaiti society" Al-Tijaria is committed to following a low-risk strategy that ensures alignment between cost and added value and the continuity of achieving returns and cash flows to meet the company's commitments and shareholders' aspirations and translate them into executable annual work plans, follow up the implementation process and verify achievement tasks according to plans, powers and responsibilities.

The Strategy

Acquisition of good assets and maintaining the balance and diversity of our real estate portfolio between income-generating properties and strategic assets in the local, regional and global markets, in addition to maximizing the company's share in providing real estate and facilities management services, which will achieve increased growth and create sustainable added value for our shareholders and partners.

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.

Optimal 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.

Our Values and Principles

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



مع خالص تحياتي
With my best regards
عبدالفتاح معرفي
Abdulfatah Marafie

Rule # 11 - Focus on the Importance of Social Responsibility

Summary of social responsibility policies and procedures

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

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

Criteria for implementing the corporate social responsibility policy:

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

Social Responsibility Programs and Events

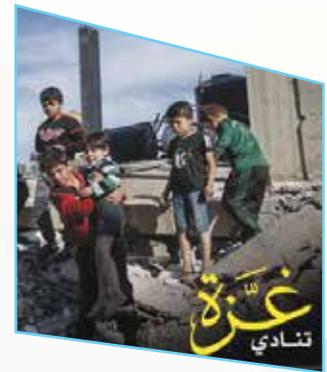
“Donate a toy... share the Joy” Campaign

Commercial Real Estate Company (Al Tijaria) launched the second 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 within the State of Kuwait in Boulevard Complex for a month and a half. The campaign aimed to bring joy to children in need. It was also keen on urging parents to instate beautiful values in their children. . As well as to share the blessings that Allah has bestowed upon them with those who are less fortunate than them. The distribution of the toys inside Symphony Style Complex was carried out by the marketing and communication team of the Commercial Real Estate Company (Al Tijaria), in addition to volunteers from the Amir Al Insaniya Team and children’s volunteers by Kuwait TV, where all the toys were distributed to the great joy of the children.



“Gaza is Calling” Campaign

The campaign was launched under the name of “Al Tijaria with you... We care”, which aimed to extend a helping hand and solidarity with our people in Palestine. This campaign came under extremely difficult circumstances experienced by the Palestinian People, stressing that the people of Kuwait are always proactive in doing good and helping others, and thanks to Al Rahma International society and all those in charge of it for their efforts for the good of the country and society, especially their launch of the “Gaza Calls” Campaign which aimed to deliver humanitarian aid to more than 5,000 affected people.



“Al Tijaria Supports the Commercial Real Estate Rehab Center in Lahore”

In cooperation with Marafie Foundation, the Commercial Real Estate rehab Center in Lahore – Pakistan is continuously supported by Al Tijatia, where the costs of equipping the Center have been covered from medical equipment, salaries of its employees and other moral support to the center and patients.



“Coronavirus Vaccination” Campaign

Under the slogan “We Care”, and out of the social responsibility of the Commercial Real Estate Company and under the sponsorship and organization of Ministry of Health and their plan to provide a vaccine against Corona virus to all workers in the malls in the country, a vaccination campaign was launched for all workers and employees of investors in Symphony Style mall, and Boulevard Mall in addition to the Commercial Real Estate Company employees and its subsidiaries and associates. This campaign was held in the Boulevard Ballroom in Salmiya , while adhering to all standards of social distancing and recommended preventive measures to contribute to reducing the incidence of injuries and limiting their spread.



Company's Achievements and Projects:

Boulevard Ballroom Management

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



Light Restaurants

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



Symphony Style (Hotel - Offices - Mall)

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



Dine Zone

"Dine Zone" is the company's latest commercial real estate project consists of 26 villas with a calm and charming atmosphere and directly overlooking to the sea. The area of this project is 8,300 square meters, and the units have been rented by 100%, and 75% of them have started their activities. "Dine Zone Restaurants" expresses a distinctive concept of restaurants and cafes on two floors and outdoor seating for each villa.



Company's Achievements and Projects:

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 3 partially connected towers, each consisting of 16 floors, containing 77 apartments, including apartments consisting of 2 and 3 bedrooms, duplex apartments, a penthouse, and a commercial store. These apartments serve 7 individual elevators and a service elevator, as well as swimming pools for adults and children, a Jacuzzi, a fully equipped health club and a squash court. There are also 6 villas in the complex, each consisting of two floors and a basement. The complex includes all smart systems, modern operation and management services, guarding and security 24/7.



Juman Residential Complex

Juman Residential Complex is one of the commercial real estate 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 2 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 and Penthouse apartments, in addition to separate townhouse villas consisting of 3 floors, and each apartment has a distinctive balcony, and there are also private swimming pools. The complex also has a health club, squash court, swimming pools, beautiful gardens and a children's playroom and 3 shops.



Al-Tijaria Tower (Offices -Mall)

Al-Tijaria Tower is one of the most important projects of the Commercial Real Estate Company, and it is a distinguished real estate edifice that combines the modern architectural form and the first of its kind in the State of Kuwait 37 million Kuwaiti dinars. Al-Tijaria Tower is strategically located in the downtown of the capital, Kuwait, with a beautiful view of Al Shaheed Park. Al-Tijaria Tower has received the Excellence Award for Construction Projects from the American Institute of Concrete, Kuwait Branch, an award given in recognition of outstanding works in the field of design, construction and implementation of concrete at the level of the State of Kuwait.





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.

The management 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. The Department is also keen to help clients achieve the highest value for their real estate assets and reduce risks to the lowest level.

Al-Tijaria aspires through "Edara" to create an added value for real estate and property owners in the State of Kuwait for everyone who desires to obtain comfort, safety and responsibility in the follow-up and management of their properties with accumulated experience and by specialists and dedicate it to their benefit regardless of the size of the real estate portfolio.

The commercial real estate company's extensive experience extends over the years in managing its properties and the properties of third parties' properties 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 "Cube and Boulevard mall".



edara إدارة
Let us manage your property دعنا ندير عقارك



Investments (Geographical)



Subsidiaries and Associates

Subsidiaries Companies

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

Associates Companies

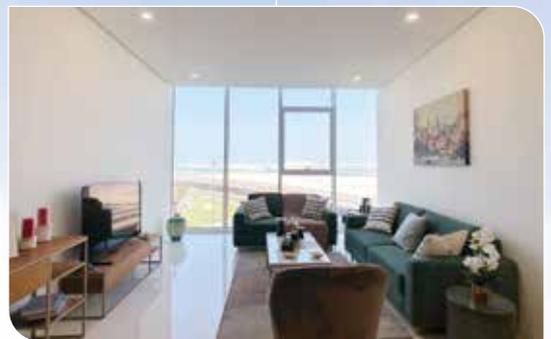
Kuwait	Kuwait Commercial Markets Complex Company Kuwait Resorts Company Hajar Tower Real Estate Company Afkar Holding Company Al Jahraa Touristic Company Gulf Opportunities Company
Saudi Arabia	Bayan Real Estate Company
Morocco	Mozon Investment Holding
United Arab Emirates	Vacation Club Venture Company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



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

90% of the construction phase has been completed in Symphony Tower in the Kingdom of Bahrain. The project consists of 46 floors and 351 apartments, in addition to a variety of facilities, making it ideal for those wishing to enjoy the luxury of living and peace of mind at all times. Symphony Tower was awarded the Best Residential Tower Design award at the 2017 African and Arab Property Awards for its unique and distinctive design. Symphony Tower, built on an area of 3,856 square meters, is located in the downtown of Manama, the capital of the Kingdom of Bahrain, near the most famous commercial centers and prominent tourist attractions.

All apartments have a charming panoramic sea view, 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.





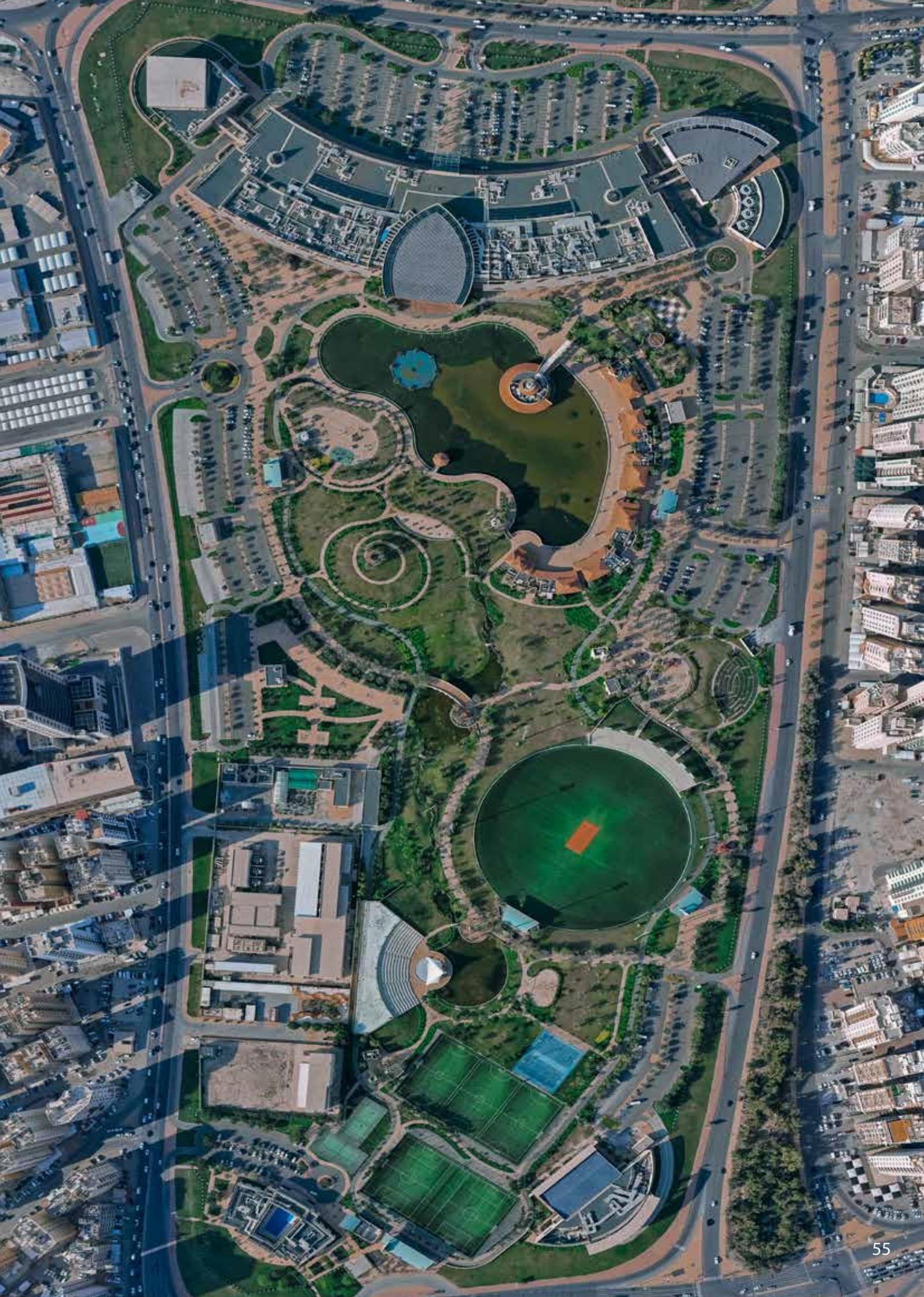
بولىقارد
boulevard

Salmiya Group Enterprise Development Company (Boulevard) - Subsidiary Boulevard

Boulevard project is located in the middle of the vibrant area of Salmiya, extending over more than 353,529 square meters, easily accessible from various sides, mainly from the 5th Ring Road and the Arabian Gulf Street.

Boulevard is one of the largest tourist hubs 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 also 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, surrounded by 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. Last but not least, 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.



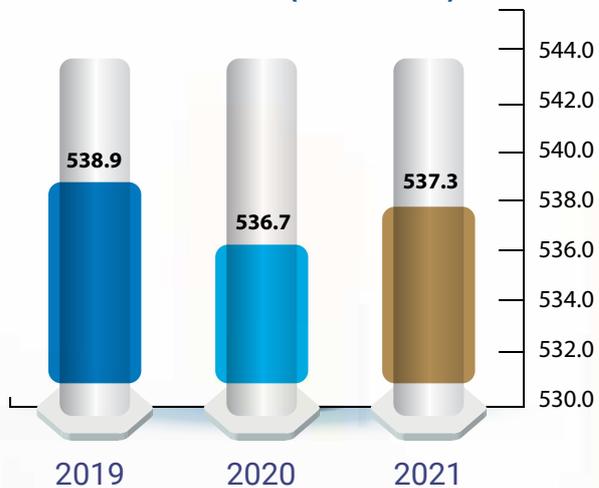


Financial Indicators

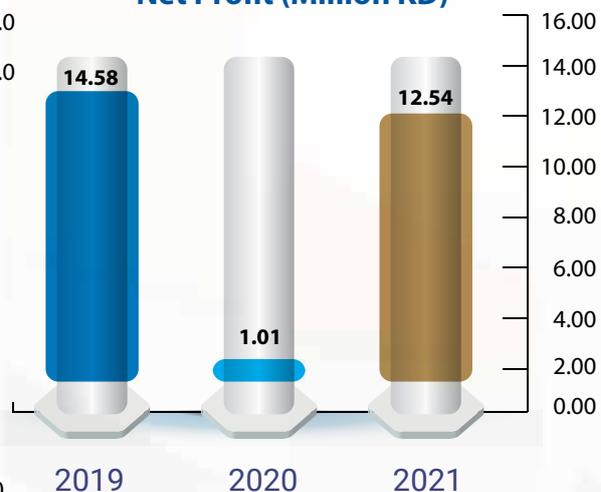
Financial Indicators			
Million Kuwaiti dinars except the percent	2021	2020	2019
Capital Structure	184.07	184.07	178.7
Total Assets	537.3	536.7	538.9
Shareholders' Equity	289.7	282.7	294.5
Investment Properties	373.9	377.5	377.0
Net Profit	12.54	1.01	14.58
Net Operating Revenues	35.14	13.41	20.28
Return on Average Assets	2.37%	0.42%	3.0%
Return on The Average of The Shareholders' Equity	4.33%	0.36%	4.95%
Returns on Capital	6.81%	0.55%	8.16%
Earnings Per Share (Fils)	7.08	0.56	8.06

Financial Indicators

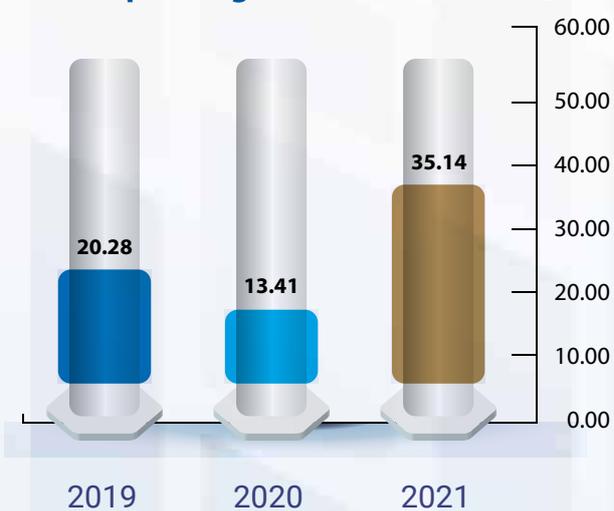
Total Assets (Million KD)



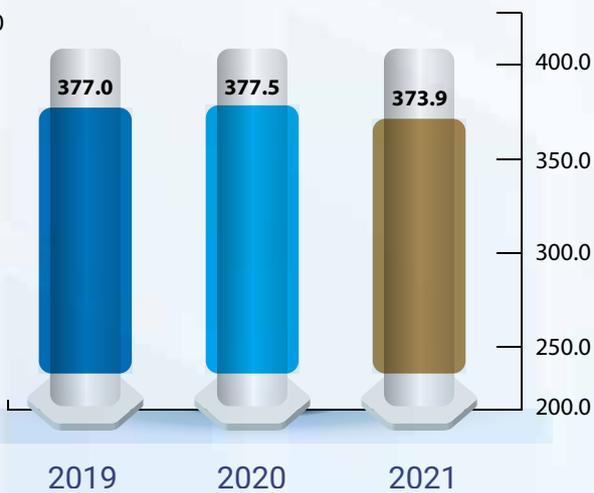
Net Profit (Million KD)



Net Operating Revenue (Million KD)



Real Estate Investment (Million KD)



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

And Subsidiaries - State of Kuwait

Consolidated Financial Statements and Independent
Auditors' Report For the year ended 31 December 2021

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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 2021, and the consolidated statement income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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.

Emphasis of Matter

We draw attention to note 32 of the consolidated financial statements, which describes the effects of a cyber incident that occurred during the period that resulted in a loss of KD 4.428 Million to the Group and action taken by management in relation to this incident. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Valuation of Investment Properties

The Group's investment properties portfolio is carried at KD 373,878,195 in the consolidated statement of financial position and the net fair value loss recorded in the consolidated statement of profit or loss is KD 4,249,875.

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.

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.



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

State of Kuwait

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

Key Audit Matters (continued)

Valuation of Investment Properties (continued)

Our audit procedures included the following:

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

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The annual report for the year 2021 is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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



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

State of Kuwait

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

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

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

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

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

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

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

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



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

State of Kuwait

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, 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 2021 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 2021, 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, 14 March 2022

Consolidated Statement of Financial Position as at 31 December 2021
(All amounts are in Kuwaiti Dinar)

	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	5	22,857,758	23,051,858
Investment property	6	373,878,195	377,533,432
Investments in associates	7	40,968,845	44,180,790
Investments at FVOCI	8	34,656,140	36,977,195
		<u>472,360,938</u>	<u>481,743,275</u>
Current assets			
Land and properties held for trading	9	13,350,610	13,544,514
Investments at fair value through profit or loss	10	23,333,386	20,469,828
Receivables and other debit balances	11	18,915,708	16,247,336
Cash and cash equivalents	12	9,324,434	4,673,975
		<u>64,924,138</u>	<u>54,935,653</u>
Total assets		<u>537,285,076</u>	<u>536,678,928</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	(6,796,105)	(7,953,856)
Statutory reserve	15	39,876,386	38,548,936
Voluntary reserve	16	29,296,785	28,633,060
Other reserve	17	6,618,827	5,352,836
Retained earnings		35,333,955	32,780,423
Total equity attributable to shareholders of the Parent Company		<u>289,708,207</u>	<u>282,739,758</u>
Non-controlling interests		23,197,194	23,437,954
Total equity		<u>312,905,401</u>	<u>306,177,712</u>
Liabilities			
Non-current liabilities			
Employees' end of service indemnity		953,212	1,009,453
Lease liabilities	6	2,443,452	2,543,501
Financing from third party	18	189,710,320	192,896,791
		<u>193,106,984</u>	<u>196,449,745</u>
Current liabilities			
Payables and other credit balances	19	16,773,074	15,373,452
Financing from third party	18	14,499,617	18,678,019
		<u>31,272,691</u>	<u>34,051,471</u>
Total liabilities		<u>224,379,675</u>	<u>230,501,216</u>
Total equity and liabilities		<u>537,285,076</u>	<u>536,678,928</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 2021

(All amounts are in Kuwaiti Dinar)

	Notes	2021	2020
Income			
Rental income of investment properties and hotel's revenue	20	25,259,459	20,515,077
Operating expenses	20	(6,682,681)	(7,150,094)
Gain on sale of land and properties held for trading	22	16,568,150	43,373
Net income from operating activities		35,144,928	13,408,356
Change in fair value for investment properties		(4,249,875)	(637,567)
(Impairment)/ reversal of land and real estate held for trading		(436,265)	326
Share in associates' results		(632,934)	(1,021,476)
Gain from investments	21	1,891,668	159,770
Other income		120,106	210,258
Total income		31,837,628	12,119,667
Expenses and other charges			
Staff costs		(2,533,762)	(1,702,599)
Expenses and other charges		(1,083,496)	(897,941)
Finance costs		(5,504,145)	(6,427,783)
Provisions and impairment	23	(4,819,691)	(799,763)
Other expenses	32	(4,428,000)	-
Total expenses		(18,369,094)	(9,828,086)
Net profit before deductions		13,468,534	2,291,581
Kuwait Foundation for the Advancement of Sciences (KFAS)		(90,578)	-
National Labor Support Tax (NLST)		(388,792)	(53,301)
Zakat Expense		(129,901)	-
Key management remuneration		(128,000)	-
Net profit for the year		12,731,263	2,238,280
Distributed as follows:			
Shareholders of the Parent Company		12,537,227	1,005,374
Non-controlling interests		194,036	1,232,906
		12,731,263	2,238,280
Earnings per share for Parent Company's shareholders (fils)	24	7.08	0.56

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021*(All amounts are in Kuwaiti Dinar)*

	2021	2020
Net profit for the year	12,731,263	2,238,280
Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	(393,797)	(364,156)
<i>Items that may be reclassified subsequently to statement of income:</i>		
Group's share in associates' reserves	1,438,076	694,940
Foreign currency translation differences	(129,216)	41,597
	1,308,860	736,537
Total other comprehensive income	915,063	372,381
Total comprehensive income for the year	13,646,326	2,610,661
Distributed as follows:		
Shareholders of the Parent Company	13,494,020	1,366,483
Non-controlling interests	152,306	1,244,178
	13,646,326	2,610,661

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	Equity Attributable to Shareholders of the Parent Company							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 17)	Retained earnings		
Balance as at 1 January 2020	178,708,714	1,308,384	(3,196,562)	38,443,068	28,580,127	5,200,726	45,449,385	22,714,131	317,207,973
Net profit for the year	-	-	-	-	-	-	1,005,374	1,232,906	2,238,280
Total comprehensive income for the year	-	-	-	-	-	-	1,005,374	1,232,906	2,238,280
Sale of investment at FVOCI- associate	-	-	-	-	-	361,109	-	11,272	372,381
Sale of investment at FVOCI	-	-	-	-	-	(208,999)	86,812	-	86,812
Cash dividend	-	-	-	-	-	-	467,708	-	258,709
Cash dividend of subsidiary	-	-	-	-	-	-	(8,708,794)	-	(8,708,794)
Purchase of treasury shares	-	-	(4,757,294)	-	-	-	-	(520,355)	(520,355)
Transferred to reserve	-	-	-	105,868	52,933	-	(158,801)	-	(4,757,294)
Bonus shares	5,361,261	-	-	-	-	-	(5,361,261)	-	-
Balance as at 31 December 2020	184,069,975	1,308,384	(7,953,856)	38,548,936	28,633,060	5,352,836	32,780,423	23,437,954	306,177,712
Balance as at 1 January 2021	184,069,975	1,308,384	(7,953,856)	38,548,936	28,633,060	5,352,836	32,780,423	23,437,954	306,177,712
Net profit for the year	-	-	-	-	-	-	12,537,227	194,036	12,731,263
Total comprehensive income for the year	-	-	-	-	-	-	12,537,227	194,036	12,731,263
Sale of investment at FVOCI- associate	-	-	-	-	-	956,793	-	(41,730)	915,063
Sale of investment at FVOCI	-	-	-	-	-	(180,749)	(68,204)	-	(68,204)
Cash dividends (Note 26)	-	-	-	-	-	-	1,333,449	70,492	1,223,192
In-kind dividend from treasury shares	-	-	3,504,854	-	-	489,947	(5,267,149)	-	(5,267,149)
Cash dividends of subsidiary	-	-	-	-	-	-	(3,994,801)	(455,311)	(455,311)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	4,185	(8,247)	(4,062)
Purchase of treasury shares	-	-	(2,347,103)	-	-	-	-	-	(2,347,103)
Transferred to reserve	-	-	-	1,327,450	663,725	-	(1,991,175)	-	-
Balance as at 31 December 2021	184,069,975	1,308,384	(6,796,105)	39,876,386	29,296,785	6,618,827	35,333,955	23,197,194	312,905,401

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

Consolidated Statement of Cash Flows for the year ended 31 December 2021
(All amounts are in Kuwaiti Dinar)

	Notes	2021	2020
Operating activities			
Net profit for the year		12,731,263	2,238,280
<i>Adjustments for:</i>			
Change in fair value of investment properties		4,249,875	637,567
Impairment/ (reversal) of lands and properties held for trading		436,265	(326)
Gain on sale of land and properties held for trading		(16,568,150)	(43,373)
Share in associates' results		632,934	1,021,476
Gain from investments	21	(1,891,668)	(159,770)
Depreciation of property, plant and equipment	5	1,062,735	1,764,601
Finance cost		5,504,145	6,427,783
Provision and impairment		4,819,691	799,763
Employees' end of service indemnity provided during the year		180,152	229,852
<i>Operating cash flow before changes in the working capital</i>		<u>11,157,242</u>	<u>12,915,853</u>
Purchase of land and real estate held for sale		(1,669,207)	(393,827)
Proceeds from sale of land and real estate held for trading		17,994,996	578,619
Receivables and other debit balances		(139,985)	(724,971)
Payables and other credit balances		1,515,840	(52,078)
Employees' end of service indemnity – paid during the year		(236,393)	(173,545)
Net cash generated from operating activities		<u>28,622,493</u>	<u>12,150,051</u>
Investing activities:			
Payment for purchase of property, plant and equipment	5	(907,301)	(607,704)
Payment for purchase of investment property		(594,638)	(1,147,773)
Payment to acquire shares in associates		(431,177)	(137,530)
Dividends received from associates		616,826	1,422,121
Payment to acquire investment at FVOCI		(5,657,263)	(4,013,404)
Proceeds on sale of investment at FVOCI		12,572,153	5,608,960
Payment to acquire shares in subsidiary		(4,062)	-
Proceeds on sale of investments at fair value through profit or loss		10,530	753,678
Payment to acquire investments at fair value through profit or loss		(3,143,337)	(161,897)
Advance payment for purchase of investments		(7,417,524)	(3,725,338)
Cash dividend received		2,138,607	2,071,436
Deposits with financial institutions		(300,000)	200,000
Net cash (used in)/ generated from investing activities		<u>(3,117,186)</u>	<u>262,549</u>
Financing activities:			
Proceeds from financing from third party		46,020,000	62,670,550
Repayment of financing from third party		(53,384,873)	(53,335,794)
Payment for buy-back of treasury shares		(2,347,103)	(4,757,294)
Cash dividend paid		(5,384,644)	(8,494,390)
Finance cost paid		(5,602,917)	(7,126,110)
Cash dividends to non-controlling interests at a subsidiary		(455,311)	(520,355)
Net cash used in from financing activities		<u>(21,154,848)</u>	<u>(11,563,393)</u>
Net change in cash and cash equivalents		4,350,459	849,207
Cash and cash equivalents at beginning of the year		<u>4,673,975</u>	<u>3,824,768</u>
Cash and cash equivalents at end of the year	12	<u>9,024,434</u>	<u>4,673,975</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 2021

(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 Boursa 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 14 March 2022.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

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

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

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

The impact of COVID-19 is disclosed in Note 31.

Going concern

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021:

Interest Rate Benchmark Reform “phase two” amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform.

- The amendments apply to all entities and are not optional.
- The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted.

Covid-19-Related Rent Concessions beyond 30 June 2021 [IFRS 16]

In May 2020 The International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient.

- The amendments are effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

Detailed information about the related impact has been included in note 31 to the financial statements.

2.2.2 IFRSs issued but not yet mandatorily effective

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

IFRS 17 Insurance Contracts

The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 1

Classification of Liabilities as Current or Non-current

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3

Reference to the Conceptual Framework

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same or earlier.

Amendments to IAS 16

Property, Plant and Equipment—Proceeds before Intended Use

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i> The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after 1 January 2023

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

2.3 Significant accounting policies

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

2.3.1 Basis of consolidation

Subsidiaries

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

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses 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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

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

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

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

Business combinations

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

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

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

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

Goodwill

Goodwill, arising on 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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 .

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

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

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

2.3.2 Property, plant and equipment

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

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

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

2.3.3 Investment properties

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

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

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

Investment properties fair value measurement

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

The fair value of investment properties was determined using the net income capitalisation rate method, using market rental income of all units of the properties and is classified as Level 3 (note 6).

2.3.4 Impairment of tangible and intangible assets other than goodwill

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

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

2.3.5 Financial instruments

Classification and measurement of financial assets

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

Business model assessment

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

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

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

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

Financial assets carried at Amortised cost

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

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

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

Financial asset carried at fair value through profit or loss

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise 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.

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. Forwardlooking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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

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

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

General approach

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

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

Simplified approach

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

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

Event of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Recognition and de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. 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.

Fair values

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

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

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

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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. Regarding the Components 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.

Group companies

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

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

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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.

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.

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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.

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.

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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.

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 previously subject KFAS, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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National Labor Support Tax (NLST)

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

Zakat

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

2.3.16 Government grants

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

3. Financial risk management

3.1 Financial risks

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

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

A) Market risk

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

Foreign currency risk

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

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:

	2021	2020
US Dollar	26,043,368	28,493,342
Sterling Pound	12,701,836	12,498,546
Bahraini Dinar	14,254,773	14,190,936
Other	25,054,586	20,310,304

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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:

	2021		2020	
	Equity	Statement of income	Equity	Statement of income
US Dollar	574,625	727,543	841,370	583,297
Sterling Pound	499,360	135,732	494,514	130,413
Bahrain Dinar	5,938	706,801	6,853	702,694
Other	530,760	721,969	419,256	596,259

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 2021 would increase/decrease by KD 1,166,669 (increase/decrease by KD 1,023,491) 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 1,732,807 (increase/decrease by KD 1,848,859) as a result of the changes in fair value of the investments through other comprehensive income.

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

B) Credit risk

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

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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:

	2021	2020
Bank balances	9,319,031	4,668,848
Trade receivables & due from related parties	8,793,068	8,006,945
Refundable deposits	337,966	344,246
Other debit balance	4,360,590	3,706,096
	<u>22,810,655</u>	<u>16,726,135</u>

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

No ECL charged on due from related parties, refundable deposits and other debit balances as of 31 December 2021 and 31 December 2020 due to it is immaterial.

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

31 December 2021

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

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	<u>0-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>> 365 days</u>	<u>Total</u>
Gross carrying amount	1,703,147	369,647	861,058	4,881,112	7,814,964
Lifetime ECL	193,291	104,357	141,326	4,742,251	5,181,225

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

	2021				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from third party	2,034,781	17,544,583	196,129,159	6,158,760	221,867,283
Accounts payable	741,384	11,126,668	-	-	11,868,052

	2020				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from third party	4,846,393	19,594,970	184,671,295	23,793,524	232,906,182
Accounts payable	1,173,128	8,825,994	-	-	9,999,122

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:

	2021	2020
Financing from third party	204,209,937	211,574,810
Less: cash and cash equivalents	(9,324,434)	(4,673,975)
Net debt	194,885,503	206,900,835
Total equity	312,905,401	306,177,712
Gearing ratio (%)	62.28	67.58

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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
	2021	2020				
Investments at fair value through other comprehensive income						
Quoted shares	628,102	220,631	1	Last bid price Income approach/ market multiple	N/A	N/A
Private equity	33,928,249	36,330,386	3	model Income approach/ market multiple	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investment funds	99,789	426,178	3	model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investments at fair value through profit or loss:						
Quoted shares	981,338	732,838	1	Last bid price Income approach/ market multiple	N/A	N/A
Private equity	22,352,048	19,736,990	3	model	Cash flow, discount rate, growth rate	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:

	2021		2020	
	Through other comprehensive income	Through profit or loss	Through other comprehensive income	Through profit or loss
At 1 January	36,756,564	38,583,983	19,736,990	22,329,021
Purchased	5,657,263	4,013,404	3,143,337	161,897
Transferred from advances	3,725,338	-	-	83,149
Cost of investments sold	(11,309,859)	(5,350,251)	-	(753,317)
Change in fair value	(801,268)	(490,572)	(528,279)	(2,083,760)
At 31 December	34,028,038	36,756,564	22,352,048	19,736,990

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
- Due from related parties	-	-	191,981	191,981
- Receivables	7,549,195	7,549,195	6,684,081	6,684,081
- Cash and cash equivalents	9,324,434	9,324,434	4,673,975	4,673,975
	<u>16,873,629</u>	<u>16,873,629</u>	<u>11,550,037</u>	<u>11,550,037</u>
Financial liabilities:				
- Financing from third party	204,209,937	202,500,157	211,574,810	209,236,033
- Payables	16,773,074	16,773,074	15,373,452	15,373,452
	<u>220,983,011</u>	<u>219,273,231</u>	<u>226,948,262</u>	<u>224,609,485</u>

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

4. Significant accounting judgements, estimates and assumptions

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

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

Critical Judgements:

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

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

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

Discounting of lease payments

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

Lease modification - Group as lessor

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

Classification of investments

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(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.

Proof of 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 2021

(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).

The recovery value of the investment in Hajar Tower Real Estate Company had been determined, based on adjusted net asset value and the discounted cash flows depends on available financial statements as of 31 December 2021 as follows:

	2021
Net asset value	17,160,000
Adjustment	13,332,000
Adjusted net asset value	3,828,000
Share of the Group's from the associate Adjusted net asset value	1,061,332

The discount rate reflects the current market assessment of risks specific to associates.

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 2020	26,393,151	12,066,599	3,681,098	2,021,991	44,162,839
Additions	-	266,786	-	340,918	607,704
Balance at 31 December 2020	26,393,151	12,333,385	3,681,098	2,362,909	44,770,543
Additions	74,827	282,638	-	549,836	907,301
Disposals	-	(60,518)	-	(7,607)	(68,125)
Balance at 31 December 2021	26,467,978	12,555,505	3,681,098	2,905,138	45,609,719
Accumulated depreciation					
Balance at 1 January 2020	5,151,208	9,904,753	3,607,704	1,290,419	19,954,084
Depreciation for the year	569,532	936,227	19,050	239,792	1,764,601
Balance at 31 December 2020	5,720,740	10,840,980	3,626,754	1,530,211	21,718,685
Depreciation for the year	569,462	213,014	18,991	261,268	1,062,735
Disposals	-	(24,792)	-	(4,667)	(29,459)
Balance at 31 December 2021	6,290,202	11,029,202	3,645,745	1,786,812	22,751,961
Net carrying value					
As at 31 December 2021	20,177,776	1,526,303	35,353	1,118,326	22,857,758
As at 31 December 2020	20,672,411	1,492,405	54,344	832,698	23,051,858
Useful lives (years)	40	5-10	5	3-6	

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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:

	2021	2020
Balance at 1 January	377,533,432	377,023,226
Additions during the year	594,638	1,147,773
Change in fair value	(4,249,875)	(637,567)
Balance at 31 December	<u>373,878,195</u>	<u>377,533,432</u>

The fair value of the Group's investment properties as at 31 December 2021 are estimated based on valuations carried out by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at the relevant locations.

The fair value of investment properties was determined using the net income capitalisation rate method, using market rental income of all units of the properties and is classified as Level 3. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The valuation model used involves significant unobservable inputs including the average capitalisation rate. Average capitalisation rate used in valuation takes into account the capitalisation of rental income, nature of the property and prevailing market conditions of 7.6% (7.5% - 31 December 2020).

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 283,440,860 as at 31 December 2021 (KD 260,153,560 - 31 December 2020) pledged to local financial institutions as collateral for finance obtained by the Group (Note 18).

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

The balance of lease liabilities is as follows:

	2021	2020
Lease liabilities (non-current)		
Amounts due after 12 months	2,443,452	2,543,501
Lease liabilities (current)		
Amounts due within 12 months – included in other payables	101,061	96,637
	<u>2,544,513</u>	<u>2,640,138</u>

7. Investments in associates

7.1 Financial information

Name of associates	Country of incorporation	Principal activity	Ownership %		2021	2020
			2021	2020		
Hajar Tower Real Estate Co.*	Kuwait	Real Estate	27.42	27.42	1,061,332	5,821,289
Kuwait Resorts Co.	Kuwait	Services	39.21	36.85	11,969,167	10,554,088
Bayan Real Estate Co.	Saudi Arabia	Real Estate	23.56	22.71	4,887,069	4,612,739
Afkar Holding Co.	Kuwait	Holding	19.35	19.35	2,868,355	2,908,709
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	23.95	23.13	3,572,453	3,159,075
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	775,367	750,318
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	9,719,649	10,000,946
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,179,803	4,252,196
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,000,581	1,198,138
Other					935,069	923,292
					<u>40,968,845</u>	<u>44,180,790</u>

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

* During the year the Group conducted a study on the impairment of the associates, which led to a decrease in Hajar Tower Company, which was reflected in the consolidated statement of income at KD 3,634,018.

Kuwait Resorts Company is quoted in an active market and its fair value as at 31 December 2021 is KD 7,341,170 (KD 4,655,353 - 31 December 2020).

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

	2021	2020
Current assets	6,092,292	22,456,993
Non-current assets	27,737,708	11,905,083
Current liabilities	1,879,703	4,235,759
Non-current liabilities	767,688	946,314

	2021	2020
Revenue	5,607,365	4,217,037
profit for the year	1,985,439	851,319
Total other comprehensive income	1,015,335	444,630

Hajar Tower Real Estate Company

	2021	2020
Current assets	18,988,784	18,600,571
Non-current assets	29,603,070	32,245,717
Current liabilities	18,551,106	16,587,869
Non-current liabilities	12,655,766	12,767,835

	2021	2020
Revenue	3,657,544	2,225,003
Loss for the year	(4,105,633)	(6,472,293)
Dividends received from associate during the year	-	1,375,600

Al Jahra Tourism Company

	2021	2020
Current assets	7,342,430	4,343,406
Non-current assets	17,128,336	20,534,745
Current liabilities	987,722	1,123,789
Non-current liabilities	1,836,714	1,463,891

	2021	2020
Revenue	5,750,678	4,043,960
Profit for the year	2,584,972	1,399,562
Dividends received from associate during the year	474,040	1,422,121

Aggregate information of associates that are not individually material

	2021	2020
The Group's share in loss	(230,307)	(58,752)
The Group's share of other comprehensive income for the year	281,564	162,157
The Group's share of total comprehensive income for the year	51,257	103,405
Aggregate carrying amount of the Group's interest in these associates	18,218,697	17,804,467

8. Investment at FVOCI

	2021	2020
Investment in quoted shares	628,102	220,631
Investment in private equities managed by others	33,928,249	36,330,386
Investment funds	99,789	426,178
	34,656,140	36,977,195

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

9. Land and properties held for trading

	2021	2020
Balance as at 1 January	13,544,514	13,685,607
Additions	1,669,207	393,827
Sales during the year	(1,426,846)	(535,246)
(Impairment)/ reversal of impairment	(436,265)	326
Balance as at 31 December	<u>13,350,610</u>	<u>13,544,514</u>

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

10. Investments at fair value through profit or loss

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

11. Receivables and other debit balances

	2021	2020
Trade receivables	8,793,068	7,814,964
Due from related parties (Note 27)	-	191,981
Provision for expected credit losses	(5,942,429)	(5,181,225)
	<u>2,850,639</u>	<u>2,825,720</u>
Advance payments for acquisition of investments	7,417,524	3,725,338
Advance payment for purchase of land	3,708,068	4,962,370
Advances to contractors and suppliers	462,288	490,603
Prepaid expenses	175,936	192,963
Refundable deposits	337,966	344,246
Other debit balances	4,360,590	3,706,096
	<u>16,462,372</u>	<u>13,421,616</u>
Provisions	(397,303)	-
	<u>16,065,069</u>	<u>13,421,616</u>
	<u>18,915,708</u>	<u>16,247,336</u>

Aging of past due but not collected trade and other receivables as at 31 December 2021 is as follows:

	2021	2020
0-90 days	1,003,678	774,647
91-180 days	605,244	369,647
181-365 days	400,681	837,090
Above 365 days	5,444,557	4,838,510
	<u>7,454,160</u>	<u>6,819,894</u>
Provisions of expected credit losses	(5,942,429)	(5,181,225)

Movement of provision for expected credit losses for the year:

	2021	2020
Balance as at 1 January	5,181,225	4,477,570
Provided during the year	807,708	889,115
Reversal of provision for Expected credit losses	(19,338)	(89,352)
Write off	(27,166)	(96,108)
Balance as at 31 December	<u>5,942,429</u>	<u>5,181,225</u>

12. Cash and cash equivalents

	2021	2020
Cash in hand	5,403	5,127
Cash at banks and financial institutions	9,019,031	2,668,848
Deposits with financial institution	300,000	2,000,000
	<u>9,324,434</u>	<u>4,673,975</u>
Less: deposits with financial institution more than 3 months	(300,000)	-
Cash and cash equivalent for cash flow	<u>9,024,434</u>	<u>4,673,975</u>

The profit rate for the deposit is 2.1% (1.2% - 2020)

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(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 2021 (KD 184,069,975 distributed over 1,840,699,751 shares as of 31 December 2020).

During 2020, the paid up capital of the Parent Company had increased by distribution of bonus share of 3% from the paid up share capital (3 shares per 100 shares) for the year ended 31 December 2019. The effect of capital increase by bonus share was amended in the commercial register on 14 July 2020 (note 26).

14. Treasury shares

	2021	2020
Number of shares	68,159,268	82,427,994
Proportion to issued shares (%)	3.70	4.48
Market value	8,315,431	9,396,791
Cost	6,796,105	7,953,856

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 15,940,621 shares are held by a subsidiary as of 31 December 2021 (15,333,943 shares 31 December 2020).

15. Statutory reserve

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

16. Voluntary reserve

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

17. Other reserves

	Change in fair value reserve	Group's share in associates' reserves	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Treasury shares reserve	Total
Balance as at 1 January 2020	(1,257,332)	302,118	5,547,886	325,578	282,476	5,200,726
Total comprehensive (losses)/ income	(371,337)	690,849	-	41,597	-	361,109
Sale of investment at FVOCI	(208,999)	-	-	-	-	(208,999)
Balance as at 31 December 2020	(1,837,668)	992,967	5,547,886	367,175	282,476	5,352,836
Balance as at 1 January 2021	(1,837,668)	992,967	5,547,886	367,175	282,476	5,352,836
Total comprehensive (losses)/ income	(349,921)	1,435,930	-	(129,216)	-	956,793
Sale of investment at FVOCI	(180,749)	-	-	-	-	(180,749)
In-kind dividends from treasury shares	-	-	-	-	489,947	489,947
Balance as at 31 December 2021	(2,368,338)	2,428,897	5,547,886	237,959	772,423	6,618,827

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

18. Financing from third parties

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

Financing from third parties are analysed as follows:

	2021	2020
Current portion	14,499,617	18,678,019
Non-current portion	189,710,320	192,896,791
	<u>204,209,937</u>	<u>211,574,810</u>

Average cost of financing from third parties is 2.70% as at 31 December 2021 (3.04% - 31 December 2020).

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 2021 (245,697,583 shares - 31 December 2020) of Al Salmia Group (subsidiary) in addition to the following assets:

	2021	2020
Property, plant and equipment	20,799,587	21,471,165
Investment properties (Note 6)	283,440,860	260,153,560

19. Payables and other credit balances

	2021	2020
Trade payables	617,885	878,692
Due to related party (Note 27)	102,020	26,393
Retentions	916,440	1,050,096
Accrued expenses	2,633,210	2,638,184
Rent received in advance	479,724	620,918
Deposits from others	3,540,900	3,566,431
Kuwait Foundation for the Advancement of Science (KFAS)	184,894	94,316
National Labor Support Tax	388,792	53,301
Zakat	129,901	-
Dividends payable to shareholders	357,726	475,221
Other payables *	7,421,582	5,969,900
	<u>16,773,074</u>	<u>15,373,452</u>

* Other credit balances include lease liabilities of KD 101,061 due within 12 months (KD 96,637 - 2020).

20. Net income from operating activities

	2021	2020
<u>Operating Revenues</u>		
Real estate rental income	23,605,863	19,150,740
Hotel and hospitality revenues	1,653,596	1,364,337
	<u>25,259,459</u>	<u>20,515,077</u>
Gain on sale of land and properties held for trading	16,568,150	43,373
	<u>41,827,609</u>	<u>20,558,450</u>
<u>Operating expenses</u>		
Property expenses	(4,621,468)	(4,202,842)
Hotel and hospitality expenses	(2,061,213)	(2,947,252)
	<u>(6,682,681)</u>	<u>(7,150,094)</u>
	<u>35,144,928</u>	<u>13,408,356</u>

- Hotel expenses include an amount of KD 779,475 that represents the current year depreciation of the hotel building and related equipments (KD 1,523,003 - 31 December 2020).

- 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.

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21. Gain from investments		2021	2020
Investment at FVOCI			
Cash dividends		1,869,931	1,854,741
Investments at fair value through profit or loss			
Change in fair value – loss		(279,779)	(1,928,645)
Cash dividends		290,986	233,313
Gain from sale		10,530	361
		<u>21,737</u>	<u>(1,694,971)</u>
		<u>1,891,668</u>	<u>159,770</u>
22. Gain on sale of land and properties held for trading		2021	2020
Sale of land and properties held for trading		17,994,996	578,619
Cost to sell land and properties held for trading		(1,426,846)	(535,246)
		<u>16,568,150</u>	<u>43,373</u>
23. Provision and impairment		2021	2020
Impairment related to investment in associates		(3,634,018)	-
Impairment related to advance payment for purchase of lands		(397,303)	-
Net movement in provision for credit losses		<u>(788,370)</u>	<u>(799,763)</u>
		<u>(4,819,691)</u>	<u>(799,763)</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 2021/2020.			
		2021	2020
Net profit for the year attributable to the shareholders of the Parent Company		12,537,227	1,005,374
Weighted average number of outstanding shares (share)		<u>1,770,486,198</u>	<u>1,787,382,128</u>
Basic earnings per share (fils)		<u>7.08</u>	<u>0.56</u>
25. Investments in subsidiaries			
The consolidated financial statements include the financial statements of the Parent Company and its affiliated entities as follows:			
	Activity	Country of incorporation	Shareholding percent (%)
Company name			2021 2020
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.59 77.57
Commeriale Real Estate Development Co.	Real Estate	Kingdom of Bahrain	100 100
Commeriale Real Estate Development Co.	Real Estate	Morocco	100 100
Al-Salmiya Group for Project Development Company	Real Estate	State of Kuwait	81.90 81.90

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(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

	2021	2020
Current assets	3,956,684	3,157,174
Non-current assets	66,000,000	70,325,000
Current liabilities	1,816,804	2,318,360
Non-current liabilities	11,702,836	14,185,456
Equity attributable to shareholders of the Parent Company	46,221,255	46,664,587
Non-controlling interests	10,215,789	10,313,771
	2021	2020
Revenue	1,384,499	4,689,812
Expenses	(1,859,588)	(1,685,057)
(Loss) /Profit for the year	(475,089)	3,004,755
(Loss) /Profit for the year attributable to shareholders of the Parent Company	(389,094)	2,460,870
(Loss) /Profit for the year attributable to non-controlling interests	(85,995)	543,885
Total comprehensive income attributable to shareholders of the Parent Company	(443,331)	2,460,870
Total comprehensive profit attributable to non-controlling interests	(97,982)	543,885
Total comprehensive income for the year	(541,313)	3,004,755
Net cash flow generated from operating activities	3,259,881	2,855,532
Net cash flow (used in) /generated from investing activities	(1,751,738)	189,343
Net cash flow used in financing activities	(2,542,472)	(1,172,244)
Net change in cash and cash equivalents of the subsidiary	(1,034,329)	1,872,631

Al Mutajara Real Estate Company

	2021	2020
Current assets	12,526,754	13,106,271
Non-current assets	67,778,413	71,693,159
Current liabilities	1,804,139	1,498,071
Non-current liability	18,155,000	22,738,881
Equity attributable to shareholders of the Parent Company	47,364,623	47,438,295
Non-controlling interests	12,981,405	13,124,183
	2021	2020
Revenue	3,039,212	4,522,370
Expenses	(683,598)	(658,531)
Profit for the year	2,355,614	3,863,839
Profit for the year attributable to shareholders of the Parent Company	2,075,583	3,174,818
Profit for the year attributable to non-controlling interests	280,031	689,021
Total comprehensive income attributable to shareholders of the Parent Company	1,972,617	3,213,805
Total comprehensive income attributable to non-controlling interests	250,288	700,293
Total comprehensive income for the year	2,222,905	3,914,098
Dividends paid to non-controlling interests	455,311	520,355
Net cash flow used in operating activities	(397,216)	(1,883,721)
Net cash flow generated from/ (used in) investing activities	3,738,986	(2,389,805)
Net cash flow (used in)/ generated from financing activities	(1,271,855)	4,100,631
Net change in cash and cash equivalents of the subsidiary	2,069,915	(172,895)

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

26. Dividends

On 11 April 2021, the ordinary Assembly General Meeting was held and approved the distribution of cash dividends to the shareholders recorded as of the due date at 3% after deduction of treasury shares, and distribution of bonus shares from treasury shares of 2% (2 treasury shares per every 100 shares) for the year ended 31 December 2020 (cash dividends of 5% per share and 3% bonus share from the paid-up share capital as of 31 December 2019).

For 2021, the Parent Company's Board of Directors proposed cash dividend of 5% after deduction of treasury shares for the year ended 31 December 2021. 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:

	2021	2020
Transactions		
Key management remuneration	979,341	711,094
Operating income	21,235	19,915
Operating expenses and other charges	423,751	392,431
Purchase of property, plant and equipment	363,360	130,979
Investment at fair value through profit or loss	3,063,099	-
Advance payment for acquiring of investments	7,356,458	-
Balances		
Receivables (Note 11)	-	191,981
Payables and other credit balances (Note 19)	102,020	26,393
Key management remuneration	497,573	621,630

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

	2021	2020
Uncalled capital – investments	1,532,272	271,445
Contracts for projects under development	1,972,266	2,200,339
	<u>3,504,538</u>	<u>2,471,784</u>

29. Contingent liabilities

	2021	2020
Letter of guarantee	3,759,088	3,459,988

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 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

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

	2020			
	Real estate sector	Hotel	Investment sector	Total
Revenue	19,092,118	1,364,337	(861,706)	19,594,749
Direct cost	(6,362,636)	(2,947,252)	(211,845)	(9,521,733)
Gross profit	12,729,482	(1,582,915)	(1,073,551)	10,073,016
Unallocated costs				(7,834,736)
Net profit				2,238,280

Geographic distribution

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

	2020			
	State of Kuwait	Gulf Countries	Other	Total
Total income	13,067,211	(2,639,214)	1,691,670	12,119,667
Total expenses	(8,833,351)	(1,048,036)	-	(9,881,387)
Net profit	4,233,860	(3,687,250)	1,691,670	2,238,280

Geographic distribution of assets and liabilities

	Assets		Liabilities	
	2021	2020	2021	2020
State of Kuwait	426,986,757	430,800,344	217,702,220	225,613,475
Gulf countries	63,345,919	56,876,300	6,677,455	4,887,741
Other	46,952,400	49,002,284	-	-
	537,285,076	536,678,928	224,379,675	230,501,216

31. Impact of COVID-19

The future dynamics of the COVID-19 pandemic remain uncertain due to its evolving nature (new ongoing waves of infection, new restrictions, new variants, vaccination efficacy and rollouts). The full extent of the impact of the crisis in the region and related policy and support measures is still not fully known.

The economy suffered significant consequences following the introduction of the first round of restrictive measures in March 2020. In order to determine the effects of the COVID-19 pandemic on the Group's operations, it is essential to consider the pre-pandemic situation before moving from the beginning of the pandemic to the present day. The availability of robust macroeconomic forecasts for the region is limited, which makes predictions regarding full recovery difficult. Nevertheless, existing data suggest that most industries will recover more slowly than the national macroeconomic average.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The sudden halt in construction and real estate activity due to COVID-19 restriction measures, and the concomitant fall in investment, led to a decrease in sectoral economic performance in the region during 2020. Whilst the Oil and Gas sector is the main contributors to GDP in the region, however the construction and real estate sector is among the main contributors to GDP. However, the available data suggest that the sector quickly rebounded and did not exhibit a significant decline during 2021.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these consolidated financial statements and explained the changes related to the critical judgement and estimates for the year ended 31 December 2021. Further, management is aware that any further disruptions due to the emerging new covid variants could negatively impact the performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its industry reports and cash flows to minimise any negative impact on the Group.

Valuation estimates and judgements

Impairment of non-financial assets

The Group has considered any impairment indicators arising and any significant uncertainties around its non-financial assets not measured at fair value and concluded there is no material impact due to COVID-19.

Calculation of loss allowance

The Group reassessed the inputs and assumptions used for the determination of expected credit loss as at 31 December 2021. The Group has updated the forward-looking information based on the best estimates and judgement of the Group's assessment of the current economic climate of the respective market in which it operates its impact on clients by various segments, the resultant significant increase in the credit risk and re-estimated the expected credit losses as of 31 December 2021. Management concluded that, the reported amounts represent best management's assessment based on the available observable information and there is no material impact due to COVID-19.

Investment properties

The Group considered the best available information about past events, current conditions and forecasts of economic conditions in determination of the reported amounts of the Group's Investment properties in these consolidated financial statements. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. Based on the external third party expert, the Group's management believes that recorded amounts represent the best estimate in light of the available information.

Lease modification

The Group, as a lessor, has assessed that the changes in lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses was not previously contemplated. In such a case there is no lease modification for the purposes of IFRS 16. The impact of changes in lease payment resulted in decrease of revenue by approximately KD 1.6 million during 2021 (KD 6.6 million in 2020).

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared to cover the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.

32. Other expenses

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

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

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

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



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