TIJARA

تجارة

شركة التجارة والاستثمار العقاري ش.م.ك عامة

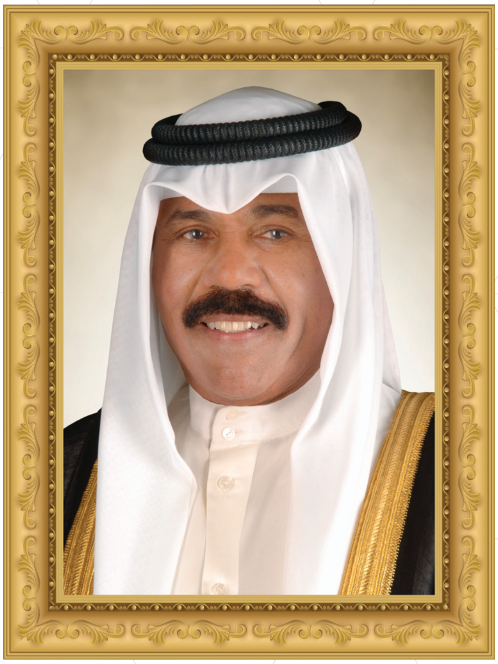
& REALESTATE INVESTMENT K.S.C (PUBLIC)

ANNUAL REPORT 2021

بسم الله الرحمن الرحيم

IN THE NAME OF ALLAH

The most gracious and the most merciful



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

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

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BOD Report

Messrs. Shareholders,,,

On behalf of myself and fellow members of the board of directors, I am pleased to present to you the Annual Report of Tijara & Real Estate Investment Co., which reflects the outcomes of success and efforts we have exerted for the fiscal year ended 2021.

Tijara & Real Estate Investment Co. has taken a good steps towards achieving its strategic objectives, after international and regional markets suffered from the exceptional repercussions of outbreak of Coronavirus Pandemic and its mutations, which caused inactivity and major economic instability, which left its impact on Real Estate Sector. However, Tijara Company managed to achieve remarkable success, exploiting development of its dynamic approach, which contributed to enhancing its capabilities to overcome the challenges and obstacles.

We have considered this as an opportunity to test the company's business model in terms of flexibility and resilience. We are proud to maintain a good position that enables us to continue achieving positive outcomes despite exceptional circumstances we are witnessing, which reflects the company's flexibility and ability to address all circumstances.

International Economy

Throughout the last quarter of 2021, oil prices reached levels not experienced since 2014, in light of the increasing severity of market conditions, as the price of Brent Crude Oil exceeded its previously recorded highest level of $86.3 per barrel in October 2018 to reach $86.4 per barrel. However, a number of concerns have emerged that threatens to negatively affect the momentum of the global economic recovery recently, including the discovery of mutated Omicron strain and aggravating precautionary measures connected with the pandemic all over the world.

However, the new year witnessed continuation of oil prices in its upward increase as a result of increased optimism on the prospects for oil demand in light of the more widespread and less severe mutated Omicron strain, as Brent Crude continued its gains in mid-January of 2022 to stabilize at the level of $86.1 per barrel.

Kuwait Economy

Kuwait economy began to recover slowly from Covid-19 Pandemic, supported by the consumption recovery and high oil prices. The gradual increase in oil production, according to the production quotas developed by OPEC and its allies, contributed to supporting the growth of oil GDP (Gross Domestic Product) . However, corporate activity and employment growth are among the noticeable weaknesses. Given the successive failure recorded by the government budget, the almost complete depletion of assets of the General Reserve Fund has increased liquidity risks. However, this situation also contributed to strengthening the policy makers' tendency towards implementing macroeconomic reform policies and the sustainability of public finance.

Starting from the third quarter of 2021, Real Estate Sector witnessed strong activity, with total sales reaching KD 1.1 billion in the third quarter of 2021 (+16% on quarterly basis + 63% on an annual basis).

Throughout the last quarter of 2021, value of commercial activity trading increased to about KD 28.3 million and the average value of commercial activity trading during 12 months amounted about KD 18.8 million. Also, value of investment housing activity trading during the last quarter of

2021 amounted to about KD 71.1 million. The average value of investment housing trading activity during 12 months amounted to about KD 61.4 million. Commercial Sector was affected as a result of weak business activities, which extended beyond the closure, with companies facing great difficulty in paying rentals, which led to rent reductions and postponement of payments for some tenants. With recovery of the economy and improvement of the business environment, supported by the progress in the pace of vaccination programs, we may witness a gradual recovery to the performance of this Sector, but the vulnerability may take some time to settle down.

Shareholder Confidence

Despite exceptional economic challenges of 2021, we have succeeded, to achieve good outcomes and in moving forward with implementation of our strategic plan with enthusiasm and passion, armed with the confidence of the company's shareholders in us, to move forward with steady and deliberate moves to complete our success path.

The Company strengthened its success in Real Estate Sector during 2021 in light of the difficult operating conditions witnessed, by achieving net profits of KD 1,478,671 compared to KD 54,740 during 2020, with an increase of about 2,601.3%. Total revenues amounted to KD 3,920,208, with an increase of 8.7%, compared to KD 3,605,498 for the previous year.

These outcomes reflect the Company's capability to deal with fluctuations and exceptional circumstances and face challenges and uncertainty with good efficiency, driven by the strength of its financial position, quality of its assets, the levels of flexibility in its business model, in addition to dedication of our employees throughout these challenging circumstances.

Our cadres …. Pinnacle of Dedication and Affiliation

Despite the fact that we expect challenges to continue for the foreseeable future, we look forward to creating value and growth through diversification. Given dedication, hard work and experience of the Company's employees, we are confident in our ability to enhance opportunities.

Company's administrative staff has proven its ability to adapt to these challenging conditions, continue to provide services to our customers, meet their needs ,and they are committed to achieving outcomes in this difficult time and dedicated to support our customers.

Strengthening Governance and Compliance Practices

Based on our deep awareness of the significance of establishing a culture of corporate governance within the company, we have been keen to apply the best levels of governance to ensure adherence to these values in all business, systems and procedures. In parallel with our continuous efforts in this area, we will continue, with our commitment to achieving balance between requirements and aspirations of the different groups of stakeholders and our objectives in enhancement of value of our business and services.

We would like to note that throughout 2021, no penalties or observations have been imposed on the Company by the supervisory and regulatory authorities.

Gratitude and Appreciation

In conclusion, me and my colleagues, members to Board of Directors express our utmost gratitude and appreciation to the leader of our blessed journey, His Highness the Emir of the State, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and to His Highness the Crown Prince, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, May Allah preserve them with the highest thanks and gratitude for their continuous support and sound guidance, and for what our beloved State has achieved under their wise leadership and insightful vision of progress and prosperity in all fields.

I am also pleased, on behalf of Tijara & Real Estate Investment Co., to express my sincere thanks to the Ministry of Commerce and Industry and those in charge thereof, in addition to the Capital Markets Authority and Kuwait Stock Exchange for their understanding of the local market conditions and carrying out its interests.

I also express my appreciation of the Executive Management Team and our creative human cadres for their dedication and efforts towards expectations of shareholders and serving the company's customers. I also thank my fellow Directors for their continuous efforts and fruitful cooperation. While confirming our full awareness of the great responsibility falls on us and the level of projected expectations. However, we are fully committed to meeting these expectations and continuing the company's success path during 2022 and onward.

Sheikha/ Yasmeen Mubarak Al-Jaber Al-Sabah

Chairman of Board of Directors

Kuwait on 20/02/2022

Acknowledgement and Undertaking of
(Integrity and Fairness of Statements)

We the chairman and the BOD''s members of Tijara and Real Estate Investment Company acknowledge and undertake that the Financial Statements provided to the exterior auditor are sound accurate, and the financial reports of the company were presented in fair and sound way in accordance with the International Accounting Standards applicable in the State of Kuwait. Those financial reports have expressed the financial position of the company as of 31 December, 2021 based on the information and reports provided to us by the executive management, auditors and we have exerted the due diligence for verifying the fairness and accuracy of these reports.

Member's Name	Position	Signature
Sheikha/ Yasmine Mubarak Al-Jaber Al-Sabah	Chairman	
Mr. Tareq Fareed AbdulRahman Al-Othman	Vice Chairman and Executive President	
Mr. Saad Naser Faraj	Board member	
Miss. Anoud Fadhel Al-Hathran	Board member	
Sheikh/ Abdullah Ali Al-Khalifa Al-Sabah	Board member	

Corporate Governance Report

During the past years, we have worked to keep pace with governance developments through periodic reviews and follow-up on best practices to meet occasional challenges in our markets and in global markets.

We have endeavored to adhere to the corporate governance requirements issued by the Capital Markets Authority in accordance with Book No. 15 (Corporate Governance) regarding promulgation of Executive Regulations of the Law No. 7 of 2010 on establishment of the Capital Markets Authority, regulating the securities activity, as amended. We initiated a new phase of which aspects established the culture of governance in our works and the practices of our employees.

The first base: Building a balanced structure for the BOD

Currently, diversity is the main element for success in light of the rapid development in the global business environment. Therefore, the BOD of Tijara and Real Estate Investment Company consists of individuals with extensive and varied experiences, skills and knowledge, resulting in a balanced and effective BOD, so that the BOD is enabled to engage in its duties and responsibilities, taking into account the renewable work needs.

1.1 An overview about formation of the BOD:

The BOD of Tijara and Real Estate Investment Company has a structure commensurate with the volume and nature of the company's activities, as well as the duties and responsibilities assigned to its members. The diversity of professional and practical experiences and technical skills was taken into account when forming the BOD, where the Nominations and Remuneration Committee verifies that the BOD members and Executive Department members meet all requirements of the company's competency and integrity form guide and reviews the requirements for proper skills of members of the BOD and Executive Department per annum.

BOD of Tijara and Real Estate Investment Company consists of five (5) members, including one (1) executive member and four (4) non-executive members of whom two (2) are independent, while all the members of the BOD are professionals and have the necessary skills to hold this position, as well as experience and knowledge in the field of real estate investment. In addition, all members of the BOD Directors are elected by the General Assembly every three years, where the members were re-elected on 9/5/2019. The following table indicates an overview on formation of the Board of Directors:

Name	Classification of the member (executive/ non-executive/ independent), secretary	Academic qualification and experience	Date of election/ appointment of the secretary
Sheikha / Yasmine Mubarak Al-Jaber Al-Sabah	Chairman - Non-Executive	Bachelor and 25-year experience	9/5/2019
Mr. Tareq Fareed Al-Othman	Vice-chairman of the BOD	Bachelor and 29-year experience	9/5/2019
Mr. Saad Naser Faraj	BOD Member – Independent	Secondary School and 57-year experience	9/5/2019
Ms. Anoud Fadhel Al-Hathran	BOD Member - Independent	Master Degree and 20-year experience	9/5/2019
Sheikh/ Abdullah Ali Al-Khalifa Al-Sabah	BOD Member - Non-Executive	Bachelor and 10-year experience	9/5/2019
Mrs. Tahani Al-Ajmi	Secretary	Master Degree and 25-year experience	9/5/2019

1.2 About the current BOD meetings in 2021:

The BOD meetings are held in presence of majority of the members. In the financial year ended on 31/12/2021, seven (7) BOD meetings were held, where the BOD meeting are held upon a written convening notice addressed by the Chairman or upon a written request submitted by at least two members of the BOD or Committees. The convening notice and agenda are sent at least three working days before the specified date, so that the BOD members can examine the raised issues and take proper decisions. The Company's memorandum of association and articles of incorporation regulate the process of attending the BOD meetings, as well as the method(s) of dealing with irregular attendance at these meetings. The following table indicates an overview on the BOD meetings:

Member name	Meeting No. / Meeting date / Position	1	2	3	4	5	6	7	Number of meetings
		10/3/2021	31/3/2021	2/5/2021	9/6/2021	5/8/2021	27/10/2021	13/12/2021	
Sheikha / Yasmine Al-Sabah	Chairman	√	√	√	√	√	√	√	7
Mr. Tareq Al-Othman	Vice-Chairman- CEO	√	√	√	√	√	√	√	7
Mr. Saad Faraj	Independent member	√	√	√	√	√	√	√	7
Ms. Anoud Al-Hathran	Independent member	√	√	√	√	√	√	√	7
Sheikh/ Abdullah Al-Sabah	Member	–	√	√	√	√	√	√	6
Mrs. Tahani Al-Ajmi	Secretary	√	√	√	√	√	√	√	7

1.3 A summary of how to apply the registration requirements and keep minutes of the company BOD meetings:

The company has a special record where minutes of the BOD meetings are recorded in sequential numbers for the year in which the meeting was held, indicating place, date, time of commencement and time of end of the meeting, as well as preparing minutes of the discussions and deliberations, including the voting operations that occurred and classification and preservation there to facilitate reference thereto.

The BOD has re-appointed Mrs. Tahani Al-Ajami as the BOD secretary on 9/5/2019, where there is a clear regulation regarding the secretary's duties and responsibilities and it is approved by the BOD and is in compliance with requirements of the Capital Markets Authority. Her responsibilities include writing down and keeping the signed minutes of the BOD meetings and the reports presented to it. Also, the secretary is responsible for informing the BOD members of dates of the BOD meetings at least three working days before time of the meeting and ensuring that the BOD effectively access to all the minutes of the previous BOD meetings and the information related to the company.

1.4 Recognition by the independent member that it has independence controls:

Tijara and Real Estate Investment Company considers that independence of the BOD members is as an essential feature for proper corporate governance, where the independence standards of Tijara and Real Estate Investment Company are in compliance with Executive Regulations of the Law No. 7 of 2010 on establishment of the Capital Markets Authority and regulation of the securities activities, as amended.

Accordingly, the BOD includes non-executive members and independent members; also, the

Nomination and Remuneration Committee reviews independence of the BOD members per annum and verifies that there is no lack of independence in accordance with the company's independence conditions guide approved by the BOD and in compliance with the regulatory requirements (Independent Confirmation sent to the Ministry of Trade and Industry is attached).

The second base: Proper definition of the duties and responsibilities

The company has a clear separation among the responsibilities between the BOD and the Executive Management to ensure complete independence, so that the BOD can effectively perform its responsibilities.

2.1 Summary of how the company defines the policy of functions, responsibilities and duties of both board and executive management members, as well as the powers delegated to executive management:

The company has clearly defined the duties and responsibilities of both the BOD and the Executive Management in the approved policies and regulations, reflecting balance in the powers and authorities between the BOD and the Executive Management. In addition, the BOD takes over all the powers and authorities required to manage the company, where the final responsibility for the company remains within scope of the BOD, even if it formed committees or delegated third parties to implement some of its duties.

2.1.1 BOD's duties

The main duties of the company's board of directors include (but not limited to) the following:

1. Approval of the company's important objectives, strategies, plans and policies, including the following, as a minimum:
    - The company's overall strategy, major action plans and reviewing and directing them.
    - The company's optimal capital structure and financial objectives.
    - Clear policy to distribute the profits in interest of the shareholders and the company.
    - Performance objectives, implementation control and overall performance in the company.
    - Organizational and functional structures in the company and periodic review thereof.
2. Approval of the annual estimated budgets and the interim and annual financial statements.
3. Supervising the company's major capital expenditures and owning and disposing of the assets.
4. Ensuring the company's compliance with the policies and procedures which ensure the company's respect for the applicable bylaws and regulations.
5. Ensuring accuracy and integrity of the statements and information to be disclosed in accordance with the applicable disclosure and transparency policies and regulations.
6. Disclosing and announcing, on a periodic basis, the company's business progress and all the influencing developments that have occurred to its business.
7. Establishing effective communication channels that allow the company's shareholders to have continuous and periodic access to the various aspects of the company's activities and any material developments.

8. Establishing, supervising and controlling effectiveness of a corporate governance system for the company and amending it whenever required.

9. Forming specialized committees of the BOD according to a charter clarifying each committee's term, authorities and responsibilities, and the method of controlling it by the BOD. The formation decision includes names, duties, rights and tasks of the committee members, as well as evaluating the performance and work of these committees and their main members.

10. Ensuring that the company's organizational structure is transparent and clear to allow the decision-making process, achievement of the principles of good governance and separation of powers and authorities between the BOD and the Executive Management. In this regard, the BOD performs the following: -
    - Approve and develop the internal regulations and rules related to the company's business and the subsequent definition of the duties, responsibilities and tasks among the different organizational levels.
    - Approve the policy of delegating and executing the works assigned to the executive management.
11. Determining the powers authorized to the executive management and the decision-making procedures.
12. Controlling and supervising performance of the executive management members and ensure that they perform all the duties assigned to them, where the BOD does the following:
    - Ensure that the executive management act in accordance with the policies and regulations approved by the BOD.
    - Hold periodic meetings with the executive management to discuss the course of work and its obstacles and problems and to review and discuss the important information related to the company's business.
    - Set the performance standards for the executive management, to be consistent with the company's objectives and strategy.
13. Appointing or removing any of the executive management members and the CEO.
14. Setting a policy regulating the relationship with the stakeholders to preserve their rights.
15. Setting a mechanism to regulate dealings with related parties to reduce conflict of interest.
16. Ensuring effectiveness and adequacy of the internal control regulations in the company on a regular basis, including:
    - Ensure integrity of the financial and accounting regulations, including the regulations related to preparation of financial reports.
    - Ensure application of proper control regulations to measure and manage the risks by determining the scope of risks which the company may encounter and creating an environment familiar with the culture of risk reduction at the company level and presenting and discussing it transparently with stakeholders and related parties.

2.1.2 Chairman and CEO of the company

Duties and responsibilities of the Chairman and CEO of the company are clear and completely separate, where both positions are independent from each other and there is a clear division of the duties and responsibilities assigned to the holders of both positions.

2.1.3 Duties and responsibilities of the Chairman

The company's chairman is responsible for proper performance of the BOD in an appropriate and effective manner, including the BOD members and independent members obtaining complete and valid information in a timely manner. The Chairman's duties and responsibilities include, for example, but not limited to, the following:

1. Ensure that the BOD discusses all basic issues in an efficient and timely manner.
2. Represent the company before third parties in accordance with the Articles of Association.
3. Encourage all BOD members to fully and effectively participate in managing the BOD affairs to ensure that the BOD acts in favor of the company.
4. Ensure effective communication with the shareholders and communicate their opinions to the BOD.
5. Encourage the constructive relationships and effective participation between the BOD and the executive management and the executive, non-executive and independent members.
6. Create a culture encouraging the constructive criticism regarding the issues for which there are different opinions among the BOD members.

2.1.4 Duties and responsibilities of the executive management

The company's executive management includes a group of persons assigned to manage the day-to-day operations of the company. In addition, the executive management's main role is:

- Application of the company's strategic plans and related internal policies and regulations and ensuring their adequacy and effectiveness.
- Full responsibility for the company's general performance and business results through establishing a management structure promoting the accountability and transparency.

The following are some of the executive management's duties and responsibilities to be adhered to in light of the authorities and powers delegate by the BOD to the executive management:

1. Application of all the company's internal policies, regulations and bylaws approved by the BOD.
2. Application of the annual strategy and plan approved by the BOD.
3. Preparing periodic reports (financial and non-financial reports) regarding the progress in the company's business in light of the company's strategic plans and objectives, as well as presenting these reports to the BOD.
4. Setting an integrated accounting system that keeps the books, records and accounts reflecting the financial statements and income accounts in a detailed and accurate manner to allow preservation of the company's assets and preparation of financial statements in accordance with the international accounting standards.
5. Managing the daily work, the business progress, and the company's resources in an optimal manner, acting to the maximize profits and reduce the expenses in line with the company's objectives and strategy.
6. Active participation in building and developing the moral values culture within the company.
7. Setting the internal control and risk management systems, ensuring effectiveness and adequacy of these systems and ensuring compliance with the risk bias approved by the BOD.

2.2 Achievements of the BOD within 2021

During the financial year ended on 31/12/2021, achievements of the BOD were numerous in relation to the corporate governance applications, the most prominent of those achievements the following:

- Review, discuss and approve the company's financial statements.
- Review and discuss the company's legal status and status of current cases filed by or against the lessees.
- Review and discuss status of real estate properties owned by the company and the problems facing these investments.
- Review the periodic reports of risk management after discussion by the Risk Management Committee.
- Approval of updated human resources management policies and procedures.
- Approval of updated real-estate department policies and procedures.
- Discuss the actual performance compared to the estimated budget.
- Reviewing the list of executives authorized to sign on behalf of the company.
- Approve the CEO authorization.

The Board discussed the decision to continue listing on the Kuwait Stock Exchange, which had been discussed at the General Assembly in 2018 on the date of the 9/5/2019, and decided to defer consideration of the matter at present and to reconsider it later.

2.3 An overview on application of the requirements for formation of specialized independent committees by the BOD:

The committees are formed and their members are appointed by the BOD after each election cycle of the BOD; the committees emanating from the BOD are considered points of communication between the executive management and the BOD. These committees are formed to enable the BOD to effectively perform its duties.

BOD of Tijara and Real Estate Investment Company has three main committees, namely:

1. Audit Committee (it was formed and its members were selected on 12/5/2019; the term of the committee's work is three years commencing as of the date of its formation, which is consistent with the term of BOD service).
2. Risk Management Committee (it was formed and its members were selected on 12/5/2019; the term of the committee's work is three years commencing as of the date of its formation, which is consistent with the term of BOD service).
3. Nominations and Remuneration Committee (it was formed and its members were selected on 12/5/2019; the term of the committee's work is three years commencing as of the date of its formation, which is consistent with the term of BOD service).

In addition, the BOD has approved the work regulations and rules for all committees, which include determining the duties, term of service and authorities of each committee during that period, the method of the BOD's control of the committee under an action charter specified for each committee. Moreover, the committees' duties and authorities are determined by the BOD, as well as authorization of such committees.

2.3.1 Audit Committee

The company is fully convinced of the fact that having an independent audit committee is one of the main features that proves the application of the rules of good governance, where the audit committee acts to establish a culture of compliance within the company through ensuring integrity of the company's financial reports and ensuring adequacy and effectiveness of the control regulations applied in the company.

The Audit Committee of Tijara and Real Estate Investment Company is completely independent, and all of its members have specialized experiences.

The Audit Committee consists of three members, two of whom are independent members of the BOD and its chairman is a non-executive member of the BOD. Moreover, representative of the internal audit office regularly attends the meetings, as well as representative of the external auditor who regularly attends the committee meetings.

On behalf of the BOD, the audit committee supervises the matters related to auditing. Therefore, the committee has a responsibility towards the credibility that the internal audit is made in accordance with professionalism and that the scope of work is proper.

The audit committee meetings are held in a manner taking into account the time considerations for issuing the company's financial reports to the external parties, where the committee meets at least four times per year on a quarterly basis.

2.3.1.1 Responsibilities and duties of the Audit Committee

The Audit Committee's responsibilities and duties include, but not limited to the following:

1. Review the periodic financial statements before submitting them to the BOD and give opinions and recommendations to the BOD to ensure fairness and transparency of the financial reports.
2. Recommend the BOD to appoint and re-appoint or change the external auditors and determine their fees. When recommending appointment, it is taken into consideration to ensure their independence and to review their appointment letters.
3. Follow up work of the external auditors and ensure that they do not provide services to the company other than the services required by the auditing profession.
4. Examine the external auditor's remarks on the company's financial statements and follow up the measures related to such remarks.
5. Examine the accounting policies in use and give opinions and recommendations to the BOD regarding them.
6. Evaluate the extent of adequacy of the internal control systems applied within the company and prepare reports that include the committee's opinion and recommendations in this regard.
7. Supervise the internal audit office in the company to verify its effectiveness in performing the works and duties specified by the BOD.
8. Recommend nomination of, evaluate performance of and re-appoint the internal audit office.
9. Review and approve the internal audit plans proposed by the Internal Audit Office and make comments on such plans.
10. Review results of the internal audit reports and ensure that the necessary corrective actions have been taken regarding the remarks contained in the reports.
11. Review results of the regulatory authorities' reports and ensure that the necessary measures have been taken in their regard.
12. Ensure that the company adheres to the relevant laws, policies, regulations and instructions.

2.3.1.2 Number of the Audit Committee meetings during 2021

In 2021, the committee met four times on a quarterly basis as follows:

Members	Meeting No.	1	2	3	4	5
	Meeting date	9/3/2021	2/5/2021	9/6/2021	5/8/2021	27/10/2021
	Position					
Anoud Fadhel Al-Hathran	Committee chairman	✓	✓	✓	✓	✓
Abdullah Al-Sabah	Committee member	-	✓	✓	✓	✓
Saad Faraj	Committee member	✓	✓	✓	✓	✓

2.3.1.3 An overview of the audit committee's achievements within 2021

- Discuss the financial statements and making recommendations.
- Review and recommend the performance and independence of the external auditors.
- Review the internal auditor's report and making recommendations.
- Review and discuss the internal audit plan for the current year.
- Review and discuss the (ICR) report during the past year.
- Meet with the external auditor and discuss the company's independent financial statements.
- Discuss the estimated budget.
- Recommend renewal of the employment agreement with the internal auditor.
- Review to the most important regulatory and legislative developments.
- Recommend renewal of the employment agreement with the Internal Control Audit Office.
- Recommendation to sign with an independent audit office to evaluate the performance of the internal audit office.

Within 2021, the audit committee evaluated the extent of adequacy of the internal control systems applied to the company, where the committee considered that the applicable internal control systems are sufficient to verify impact of the risks to which the company is exposed; also, the committee's financial statements fairly reflect the company's financial performance.

2.3.2 Risk Management Committee

The Risk Management Committee of Tijara and Real Estate Investment Company sets policies and regulations for risk management in line with the company's trend to the assume risks.

The Risk Management Committee consists of three members, two of whom are independent members of the BOD and its chair is a non-executive member of the BOD.

2.3.2.1 Responsibilities and duties of the Risk Management Committee

Duties and responsibilities of the Risk Management Committee include, but are not limited to the following:

1. Prepare and review the risk management strategies and policies before being approved by the BOD and ensure that these strategies and policies are implemented and are in line with nature and volume of the company's activities.
2. Ensure availability of adequate resources and systems required for risk management.
3. Evaluate the systems and mechanisms related to identifying, measuring and following up the different types of risks to which the company may expose, to determine their deficiencies.
4. Assist the BOD to determine and evaluate the acceptable level of risk in the company and ensure that the company does not exceed this level of risk after being approved by the BOD.
5. Review organizational structure of risk management and make recommendations regarding it before being approved by the BOD.
6. Ensuring that the risk management personnel are independent from the activities that result in the company exposing company to risks.
7. Ensure that the risk management personnel have a full understanding of the risks surrounding the company and act to increase the employees' awareness of the risk culture and how to understand and comprehend such risks.
8. Prepare periodic reports on nature of the risks to which the company exposed and submit these reports to the company's BOD.
9. Review the issues raised by the audit committee and related to risks, which may affect the risk management in the company.

2.3.2.2 Number of meetings of the Risk Committee within 2021

The Risk Committee holds periodic meetings at least four times per year and whenever needed and writes down minutes of its meetings.

The committee met four times within 2021 as follows:

Members	Meeting No.	1	2	3	4
	Meeting date	9/3/2021	2/5/2021	5/8/2021	27/10/2021
	Position				
Saad Faraj	Committee chairman	✓	✓	✓	✓
Tareq Al-Othman	Committee member	✓	✓	✓	✓
Anoud AlHathran	Committee member	✓	✓	✓	✓

2.3.2.3 An overview of the Risk Committee's achievements within 2021

- Review the periodic risk report.
- Measure the level of risk to assist the BOD to determine and evaluate the acceptable level of risk for the company.
- Discuss the related transactions report.
- Evaluate the internal control systems and mechanisms to identify and control the various risks to which the company may expose.
- Assist the BOD to identify and evaluate the acceptable level of risk to ensure that the company does not exceed this level of risk after being approved by the BOD.
- Reviewing the independency of the risk department.

2.3.3 Nomination and Remuneration Committee

Availability of professional experts, technical capabilities, good personal and ethical characters in the person nominated for membership of the BOD or the executive management of the company is one of the main aspects of the company's financial integrity and is an important element to avoid the risks to which the company may expose. In addition, adoption of fair financial remunerations contributes mainly to attracting the human cadres of professional competencies and high technical capabilities, as well as establishing the principle of belonging to the company. Accordingly, it maintains the good staff and motivates the workers at different levels of employment to act to achieve the company's objectives and up lift it.

The Nomination and Remuneration Committee consists of three members, one of whom is an independent member of the BOD and its chairman is a non-executive member of the BOD.

2.3.3.1 Responsibilities and duties of the Nomination and Remuneration Committee

Duties and responsibilities of the Nomination and Remuneration Committee include, but not limited to the following:

1. Recommend acceptance of nomination and re-nomination for membership of the BOD, committees of the BOD and Executive Management, taking into consideration not to nominate any person who does not meet the regulatory requirements, and taking into account number of attendance times, quality and effectiveness of the members' participation in the BOD meetings and their performance of their duties and responsibilities.
2. Annually review the required needs of proper skills for membership of the BOD and attract applications of those who want to hold the executive positions as needed and examine and review those applications.
3. Set job descriptions for the executive members, non-executive members and independent members.
4. Propose to nominate and re-nominate the independent for election by the General Assembly and ensure that the independence of the independent member is not absent.
5. Set a clear policy for remunerations of the BOD members and senior executives.
6. Periodically review the remuneration policy and evaluate its effectiveness in achieving the desired objectives of attracting the human personnel and maintaining employees with the professional competence and technical capabilities required to up lift the company status.

7. Preparation of the governance report on an annual basis containing the total rewards awarded to members of the board of directors, executive directors and managers, whether amounts, benefits or advantages of any nature, directly or indirectly, through the company or subsidiary.

2.3.3.2 Number of meetings of the Nomination and Remuneration Committee within 2021

The Nominations and Remunerations Committee holds periodic meetings at least once per year and whenever needed and writes down minutes of its meetings.

The committee met within 2021 as follows:

Members	Meeting No.	1
	Meeting date	9/3/2021
	Position	
Yasmine Al-Sabah	Committee chairman	✓
Tareq Al-Othman	Committee member	✓
Saad Faraj	Committee member	✓

2.3.3.3 An overview on the Nomination and Remuneration Committee's achievements within 2021

In 2021, the Nomination and Remuneration Committee made many effective recommendations to support establishment of the company's corporate governance framework, for example, but not limited to:

- Discussion of the remuneration report, which includes the total rewards awarded to the members of the board of directors and executive management, whether they are amounts, benefits or advantages of any nature, directly or indirectly, through the company or subsidiary.
- Review evaluation of performance of the BOD members, the CEO, and the subsidiary committees.
- Review and ensure independence of the independent members.
- Discuss the rewards report.
- Verify that there are no cases of conflict of interest among the BOD members.
- Review the efficiency and integrity statements of the BOD members.

2.4 A summary on the method(s) of application of the requirements that allow the BOD members to accurately and timely obtain information and data:

To ensure flow of the information between the executive management and the BOD, the BOD has set a policy regulating the BOD members' access to the financial statements and any reports from the company's departments by submitting periodic reports to the BOD on performance of the executive staff, where any BOD member has the right to request any information or report from any department in coordination through the BOD secretary as regulated by the above-mentioned policy. This is applied through a set of periodic reports submitted to the BOD and the committees.

The third base: Selection of qualified persons for membership in the BOD and executive management

The company has clear mechanisms regarding selection of the BOD members and the executive management, where the Nomination and Remuneration Committee has a vital role to ensure selection of the qualified persons for membership in the BOD and the executive management.

The Company's competency and integrity rules guide represents the minimum requirements to be met by members of the BOD and the executive management nominated to work for the company. This guide has been developed in accordance with best practices and in line with requirements of the regulatory authorities. The Nominations and Remuneration Committee annually reviews the required needs of skills for membership in the BOD and executive management.

3.1 An overview on application the requirements for formation of the Nomination and Remuneration Committee:

In addition to foregoing terms indicated in Clause (2-3-3), the Nomination Committee is in line with all regulatory requirements in terms of the formation procedures, meetings and implementation of the duties assigned to it, including (for example, but not limited to:) the following:

- Preparation of the governance report on an annual basis that includes the total remuneration given to the members of the board of directors, executive directors and managers, whether amounts, benefits or advantages of any nature, directly or indirectly, through the company or subsidiary.
- Review the performance evaluation of members of the BOD, executive management and the committees emanating from the BOD.
- Verify that there are no cases of conflict of interest among the BOD members.
- Verify availability of the proper level of training and introduce members of the BOD and executive management.

3.2 Report on the remunerations granted to members of the BOD, executive management and managers

3.2.1 Summary of the company's remuneration and incentive policy, in particular those associated with board members, executive management and managers:

The company shall grant its employees benefits and bonuses in order to induce them to achieve the best results. Such rewards shall be paid on the company's own volition and shall not be regarded as an obligation or an acquired right. Accordingly, the employee shall not in any way claim for their dismissal or compensation if the company has ceased to provide them.

- The company may spend performance incentives or rewards on a monthly, quarterly, semi-annual or annual basis.

- The company only reserves the right to determine the amount of the rewards whether the company determines them according to certain criteria or whether they are linked to the achievement of a particular programme or to an extraordinary effort.
- The reward is fully linked to the results of the staff assessment.
- The payment of any remuneration shall be subject to established policy.
- The payment of any remuneration shall not constitute an obligation on the company to spend it again and the company shall have the right to suspend, increase or reduce its disbursement through a recommendation of the compensation commission and shall be submitted to the board of directors for approval.
- In the absence of any profits, the company may distribute bonuses, with the exception of a recommendation of the compensation commission and the accreditation of the board of directors.

3.2.2 Includes the following statements:

Rewards and benefits for members of the BOD								
Total members	Rewards and benefits through mother company			Rewards and benefits through subsidiaries				
	Fixed rewards and benefits (KWD)	Variable rewards and benefits (KWD)		Fixed rewards and benefits (KWD)		Variable rewards and benefits (KWD)		
	Health insurance	Annual bonus	Committees bonus	Health insurance	Monthly salaries (gross year)	Annual bonus	Committees bonus	
5	0	0	0	N/A	N/A	N/A	N/A	

Total rewards and benefits granted to five top executives who received the highest rewards, plus the CEO and the CFO or, if not included, whom in their positions											
Total number of executive positions	Rewards and benefits through mother company						Rewards and benefits through subsidiaries				
	Fixed rewards and benefits (KWD)			Variable rewards and benefits (KWD)			Fixed rewards and benefits (KWD)				Variable rewards and benefits (KWD)
	Monthly salaries (gross year)	Annual Tickets	Social securities	Health insurance	Telecom. allowance	Annual bonus	Monthly salaries (gross year)	Health insurance	Annual Tickets	Social securities	Annual bonus
7	371,209	7,300	22,065	10,665	1,365	0	N/A	N/A	N/A	N/A	N/A

3.2.3 Any fundamental deviations from the remuneration policy adopted by the BOD

During 2021, there were no conflicts between the recommendations of the Committee on Nominations and Awards and the decisions of the BOD

The fourth base: Ensuring integrity of the financial reports

Integrity of the company's financial statements is one of the important indicators of integrity and credibility of the company in presenting its financial position, where such integrity accordingly increases the investor confidence in the statements and information provided by the company and allows the shareholders to exercise their rights. Therefore, the company has set clear mechanisms to ensure the integrity of its statements.

4.1 Written undertakings by both the BOD and the Executive Management for integrity of the reports:

- The executive management undertakes towards the BOD that the financial reports of Tijara and Real Estate Investment Company are presented in a sound and fair manner, that such statements review all the company's financial aspects, that they are prepared in accordance with international financial reporting standards approved by the Capital Markets Authority and other regulatory authorities and that the executive management is fully responsible for the validity and accuracy of such statements.
- Likewise, the BOD of Tijara and Real Estate and Investment Company undertakes to present its financial statements in a sound, fair and accurate manner to the shareholders and investors.

4.2 An overview on application of requirements for formation of the audit committee:

In addition to the foregoing statements in Clause (2-3-1), the audit committee is in line with all the regulatory requirements in terms of formation procedures, meetings and implementation of the duties assigned to it, including (but not limited to) the following:

- The committee has reviewed the periodic financial statements before submitting them to the BOD, provided it opinion and recommendations on them to the BOD to ensure fair and transparent financial reports.
- The committee has evaluated the extent of adequacy of the internal control systems applied within the company and prepared reports containing the committee's opinion and recommendations in this regard.
- The committee has supervised the company's internal audit office to verify its effectiveness in performing the duties and tasks specified by the BOD.
- The committee has reviewed and approved the audit plans proposed by the internal auditor.
- The committee has reviewed results of the internal audit reports and ensured that the necessary corrective actions were taken regarding the remarks contained in the reports.
- The committee has verified the company's compliance with the relevant laws, policies, regulations and instructions.
- The committee has verified independence of the auditors, and reviewed letters of their appointment.

4.3 In 2021, there were no contradictions between the recommendations of the Audit Committee and the BOD decisions

4.4 Confirming independence and impartiality of the external auditor

Tijara and Real Estate Investment Company has an approved and clear policy regarding appointment and selection of the external auditor to ensure independence and impartiality of the external auditor.

Within 2021, the company's audit committee has verified independence and impartiality of the auditor in accordance with the conditions stipulated in the company's internal policies and regulations in line with requirements of the regulatory authorities, including but not limited to the following:

- Making sure that the external auditor is independent from the company and its BOD and does not perform additional work not considered a part of the review and audit, which may affect his impartiality or independence.
- It has been verified that the auditors are registered with the special register of the Capital Markets Authority, so that it fulfills all the conditions stipulated in the requirements of the Capital Markets Authority's decision regarding the system for registering the auditors.
- The auditor has attended the audit committee meetings to discuss his views with the audit committee before submitting the interim and annual financial statements to the BOD to take a decision in their regard.
- It was verified that the external auditor could attend the general assembly meetings and read the report prepared by him to the shareholders.

The fifth base: Establishing sound systems for risk management and internal control

5.1 Brief Statement on application of the risk management formation:

The company has an independent risk management department according to the company's organizational structure; the company's risk management department acts primarily to measure, follow up and reduce all types of risks facing the company according to the following (for example, but no limited to):

- Set the effective systems and procedures for management of the company's risks, so that the company is able to perform its main duties of measuring and following up all types of risks to which it is exposed, provided that such process is continuously made and periodically reviewed, as well as modification of the systems and procedures whenever needed.
- Develop periodic reporting systems because it is one of the important tools in the process of following up and reducing occurrence of the risks.

Those in charge of the risk management have independence through their direct affiliation to the risk management committee of the company's BOD, where they also have great powers to perform their duties to the fullest without giving them financial powers and authorities.

5.2 An overview on application of the requirements for formation of the Risk Management Committee:

In addition to the foregoing statements indicated in Clause (2-3-2), the Risk Management is in line with all regulatory requirements in terms of the formation procedures, meetings and implementation of the duties assigned to it, the most important duties thereof are:

- Preparing, reviewing and submitting the risk management strategies and policies to the BOD for approval.
- Ensuring availability of adequate resources and systems for risk management.
- Preparing periodic reports on nature of the risks to which the company is exposed.

5.3 Internal Control and Monitoring Systems:

Tijara and Real Estate Investment Company always seeks to develop the principles of internal control. In this regard, we have done the following:

- Determining in detail the authorities and responsibilities through policies and procedures and ensuring that they are circulated among the departments to achieve business credibility and achieve efficiency and effectiveness of operational processes.
- A detailed authority matrix approved by the BOD, where the company is keen to completely separate the duties assigned to each department and is keen to ensure that there are no conflicts of interest.
- It was also keen on covering the internal audit of all the company's departments in 2021 and following up all measures taken to deal with all remarks of the internal auditor.

5.4 Brief statement on application of requirements for the formation of the internal audit office:

The company contracted with an independent internal audit office and provided an internal audit coordinator having complete independence through his technical affiliation to the BOD, while his appointment and following up his duties and responsibilities fall within the audit committee's duties. In addition, the company assigned an independent audit office to evaluate and review the internal control systems and prepare the (ICR) report.

The reports include (but not limited to) the following:

- Control and supervision procedures for efficiency and effectiveness of the internal control systems required for protection of the company's assets, validity of the financial statements and efficiency of its operations in its administrative, financial and accounting aspects.
- Comparing evolution of the risk factors in the company and the existing systems to assess efficiency of the company's daily activities and face the unexpected changes in the market.
- Evaluation of performance of the executive management in applying the internal control systems.

The company also engaged an independent audit office to evaluate the performance of the internal audit office and prepare a report during 2022 for submission to the audit committee and the board of directors of the company

The sixth base: Promoting the professional conduct and ethical values

Promoting the culture of professional conduct and ethical values within the company is one of the basic aspects for implementation of the company's works. Therefore, the company pays attention to verify the commitment of all the company's employees, either the BOD members, the executive management members or other workers, to the internal policies and regulations of the company and the legal and regulatory requirements through review of the code of work ethics, as well as review of the guide of mechanisms for reducing conflict of interest, as it is convinced of the fact that it will lead to achieve interests of all parties related to the company, especially the shareholders, without a conflict of interest and with a large degree of transparency.

6.1 Brief summary on the work charter that includes standards and determinants of professional conduct and ethical values:

Whereas Tijara and Real Estate Investment Company is keen on its BOD's and executive staff's employees' commitment to performing their work in the best way to enhance the company position and pursuit of its objectives, so that the company has set a work charter that aims to guide and provide the BOD members with standards of professional conduct and work ethics, to avoid conflict of interest cases and organize operations with related parties. All members of the BOD and employees of the executive staff signed an undertaking and acknowledgment of commitment to the work charter.

6.2 Summary on the policies and mechanisms for reducing the conflict of interest cases:

The company has a clear policy to reduce the cases of conflict of interest, approved by the BOD.

In 2021, all members of the BOD and the Executive Management signed the annual declaration regarding compliance with procedures for reducing the cases of conflict of interest.

The seventh base: Accurate and timely disclosure and transparency

The company is well aware of importance of transparency and disclosure as it is one of the basic features of the methods of following up the company's business and evaluating its performance. Therefore, the company has been keen to update its disclosure mechanisms, as well as periodic updating of the disclosure record of members of the BOD and the executive management.

7.1 A summary on application of accurate and transparent presentation and disclosure mechanisms which define aspects, fields and features of the disclosure

Tijara and Real Estate Investment Company has approved disclosure and transparency policies and mechanisms guide, which includes, but is not limited to, the following:

- Methods of disclosure of the financial and non-financial information and statements related to the company's financial position, performance and ownership.
- Method of disclosure of all information and statements in a timely manner to all stakeholders without discrimination, provided that the statements and information are accurate, valid and not misleading.
- Classification of the disclosed information in terms of its nature (financial information, non-financial information) or periodic disclosure thereof, as well as the material information.

Moreover, the transparency and disclosure policies and procedures have been set in accordance with international best practices in line with all regulatory authorities' requirements.

7.2 An overview on application of the disclosure record requirements for members of the BOD, the executive management and managers

The company has a special record for disclosures of members of the BOD, the executive management and managers, including all transactions and declarations, which reflect real facts of conditions of the related parties. Such record is available for be reviewed by all the shareholders of the company without any fees or charges, where the company periodically updates the statements of this record.

7.3 A statement on application of the requirements for formation of the Investor Affairs Regulatory Division

The company has an Investors Affairs Division which is responsible for making available and providing the required statements, information and reports to its potential investors. The Division has proper independence (according to the organizational structure approved by the BOD) in a way that allows it to provide statements, information and reports in a timely and accurate manner through the recognized and accepted means of disclosure, including but not limited to the company's website.

7.4 An overview on the method of development of the IT infrastructure and the extent of reliance on it for disclosure processes

The company constantly endeavors to create means and channels for communicating with the shareholders, investors and stakeholders, where the company updates the company's website, so that all recent information and statements that help the shareholders and current and potential investors to exercise their rights and evaluate the company's performance are available.

The eighth base: Respect for the shareholders' rights

The company's corporate governance framework ensures that shareholders exercise their basic rights on basis of a great amount of fairness and equality to ensure equal treatment for all shareholders as clearly established in the company's articles of association and by laws. Moreover, the company updates the mechanisms of participation in meetings the general assembly of shareholders to ensure that all shareholders are encouraged to participate and vote at such meetings.

8.1 A summary on the requirements for identification and protection of the shareholders' general rights to ensure fairness and equality among all shareholders

The company's articles of association and by laws clearly include the procedures and controls required to ensure that all shareholders exercise their rights in a manner that achieves justice and equality, subject to the applicable laws, regulations, decisions and instructions issued in this regard.

8.2 A summary on establishing a special record to be kept with the clearing agency

The company keeps a special record kept with the clearing agency, in which it includes the shareholders' names, nationalities, domicile and number of the shares owned by each of them, where any changes to the data registered therein shall be notated according to the statements received by the company or the clearing agency.

8.3 An overview on the method(s) of encouraging the shareholders to participate and vote at meetings of the company's assemblies

The company has policies and procedures approved by the BOD in line with all the regulatory requirements, which detail the mechanism for participation at meetings of the General Assembly of shareholders and the procedures for holding the Assembly meeting in a manner that ensures the following:

- It allows the shareholders to actively participate in the general assembly meetings, to discuss the issues included in the agenda and the inquiries related to the various aspects of the business and to direct questions about them to the BOD members and the external auditor, where the BOD or the external auditor shall respond to the questions to the extent that does not jeopardize the company's interests.
- It enables the shareholders who hold 5% of the company's capital to add items to agenda of the general assembly meetings.
- It allows the shareholders to access to all statements and data contained in the record of disclosures of the BOD members and the executive management members.
- The topics presented to the general assembly shall have sufficient information that enables the shareholders to properly make their decisions.

As for the voting mechanisms, the company has mechanisms approved by the BOD in line with all regulatory requirements to ensure that all shareholders have the opportunity to exercise the voting right without setting any obstacles that lead to the prohibition of voting, where the voting is a main right of each shareholder and cannot be canceled in any way.

The ninth base: Recognizing the stakeholders' role

The company believes that the stakeholders' contributions are a very important resource to build its competitiveness and support its profitability levels; therefore, the company supports all means of cooperation with the stakeholders, where the company has an approved policy ensuring protection and recognition of the stakeholders' rights and encouraging them to follow up various activities of the company.

9.1 An overview on the systems and policies ensuring protection and recognition of stakeholders' rights:

Tijara and Real Estate Investment Company is committed to protecting the stakeholders' rights and creating opportunities for operation and continuity through the sound financial projects within the policy to ensure that the company respects and protects the stakeholders' rights stipulated in the relevant laws applied in the State of Kuwait, providing the stakeholders with an opportunity to obtain actual compensation in the case of violation of any of their rights, where the policy defines stakeholders as shareholders, regulators, customers, employees, and related parties.

The company is keen to treat all the stakeholders' rights in a fair and equal manner; also, the company's transactions ensure fair treatment without any discrimination with the BOD members, related parties and stakeholders. Moreover, the company ensures proper compensation to the stakeholders in case of violation of their rights stipulated in the official contracts concluded and signed with them or their rights stipulated by the laws in general.

9.2 An overview on the method of encouraging the stakeholders to participate in following up the company's business:

In the course of encouraging the stakeholders to participate in following up the company's business and any developments to its business, the company provides the stakeholders, when needed, with any statements related to their activities to rely upon.

In addition, the company has set a reporting policy allowing any stakeholder to deliver his complaint to the BOD, ensuring that stakeholders are not subjected to any harassment.

The tenth base: Enhancing and improving the performance:

Out of keenness to improve performance and enhance decisions of the BOD, the company evaluated performance of the BOD members and the executive management members through an individual questionnaire for the members according to the best international practices for analyzing questionnaires and developing on which we focus during the year to develop and advance the BOD's performance.

10.1 An overview on application of the requirements for setting the mechanisms allowing the BOD members and the Executive Management members to receive continuous training programs and courses

The company has mechanisms that allow it to pay attention to the training aspects for both members of the BOD and the executive management by setting introduction programs for the newly appointed members as well as having plans for training programs in a way that helps to perform the duties assigned to them.

10.2 An overview on the method of evaluating performance of the BOD as a whole and performance of each member of the BOD and the executive management

The company has a clear policy approved by the BOD regarding the performance evaluation, including objective performance indicators in a clear and written manner. In 2021, all members of the BOD, the executive and the whole BOD were evaluated, where those evaluations were reviewed by the Nomination and Remuneration Committee.

10.3 An overview on the BOD's efforts to create institutional values for the company's employees through achieving the strategic goals and improving the performance rates

The company's BOD acts to create the values inside the company in the short, medium and long terms through setting up the mechanisms and procedures designed to achieve the company's strategic objectives and improve the performance rates, effectively contributing to creating institutional values for employees and motivating them to continuously act to preserve the company's financial integrity.

In addition, the company acts to continuously develop its applicable internal integrated reporting systems to become more comprehensive, where it helps both the BOD members and the executive management members to take decisions in a systematic and sound manner, and then, achieve the shareholders' interests.

The eleventh base: Importance of the social responsibility

11.1 A brief summary of a policy that ensures balance between the company's objectives and the community:

The company believes in its responsibility towards the community and is committed to contributing to its development as much as its capabilities allow by acting to attract the national workers, improving the living conditions of the workforce and their families and allocating a percentage of its profits to the social services and projects.

11.2 An overview on the programs and mechanisms that help to highlight efforts made in the field of social work:

The social responsibility includes the company's employees and the community, where it focuses on fair treatment upon employment and the Responsibility related to health and safety due to nature of the company, as well as the responsibility to preserve the environment. In 2021 and out of the company's believe that the real investment is in young generation, the company sponsored the engineering and petroleum college students Association of Kuwait.

Sheikha / Yasmine Mubarak Al-Jaber Al-Sabah

Chairman

Report of Audit Committee

For Fiscal Year Ended on December 31st 2021

Formation of Audit Committee:

1 - Anoud Fadhel AlHathran	Committee Chairman
2 - Saad Naser Faraj	Member
3 - Abdullah Ali Abdullah AlSabah	Member

Committee Meetings and Achievements:

During 2021, the committee held 5 meetings, whereas its achievements have included the following maters:

- Discussing the financial statement and making recommendations.
- Recommendation to renew the contract with the internal auditor and the office of internal control review.
- Viewing and discussing (ICR) report during the past year.
- Reviewing the accounting policies with the external auditor.
- Viewing the report of internal auditor and making recommendations.
- Reviewing and recommending the performance and independency of the external auditors.
- Viewing and discussing the internal audit plane for current year.
- Viewing the most important regulatory and legislative developments.

Recommendation that an external office be contracted to evaluate the performance of the internal audit office

The Committee's opinion regarding the internal control environment in the Company:

Through the committee follow-up and supervision during 2021 on the works of internal audit, which rely on risks assessment, the committee believes that the company possesses sufficient and effective supervisory environment, whereas no fundamental gaps were discovered during the year, also there were no significant failure in the application of internal supervision regulations.

As the committee also noticed the executive's keenness of applying the mechanisms and regulations of internal control to ensure the protection of the company assets and the validity of financial statement, in addition to the efficiency of operational processes flow and the efficiency of its financial and administrative aspects.

Anoud AlHathran	**Saad Naser Faraj**	**Abdullah Ali Al-Sabah**
Committee Chairman	Member	Member

Date: 23/07/1443 AH

Corresponding to: 24/02/2022

Report of Sharia Audit

For the Financial Period 1/1/2021-31/12/2021

Messrs. Tijara & Real Estate Investment Company Respectfully

Peace be with you,

Pursuant to authorities vested to us by the General Assembly Meeting Members for Tijara & Real Estate Investment Company and under company articles of incorporation and instructions of concerned control authorities, Sharia audit submitted its final report for the period 1/1/2021-31/12/2021 and it includes four items as follows:

First: Works of Sharia Audit Authority:

Sharia Audit Authority made its works encompassing examining investment structures and contract forms, products, policies and procedures, whether directly or in coordination with department of internal sharia auditing so as to acquire all information and interpretation considered necessary to be provided with enough evidences to give reasonable confirmations that the Company didn't violate Islamic sharia provisions in the light of Sharia Audit authority and approved sharia standards for the Company and resolutions of related control authorities.

Second: Resolutions of Sharia Audit Authority:

Company Sharia Audit Authority didn't respond to any inquiries during this period.

Third: Policies and Procedures Approved by Sharia Audit Authority:

Company Sharia Audit Authority didn't approve any policies and procedures for company products and activities during this period.

Fourth: Final Opinion:

After studying all clarifications and confirmations we acquired, we see that:

Contracts, processes and transactions made by the Company during the period 1/1/2021 till 31/12/2021, were made according to Islamic sharia provisions.

Thanks be to Allah

Sharia Audit Authority Director	Sharia Audit Authority Member	Sharia Audit Authority Member
Prof. Abdulaziz Alqassar	**Dr. Essam Khalaf AlEnezi**	**Dr. Ali Ibrahim Alrashid**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Valuation of Investment properties
Investment properties of the Group represent a significant portion of the total assets as at 31 December 2021 and are carried at fair value. The Management of the Group determines the fair value of its investment properties and uses external appraisers to support the valuation as of 31 December 2021. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Due to the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's policies for fair valuation of investment properties are presented in accounting policies in Note 2 of the consolidated financial statements.

Our audit procedures included, among others, the following:
- We have reviewed the assumptions and estimates made by the management and the external appraisers, appropriateness of the valuation technique and reasonableness of data used in the valuation.
- We have evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of properties such as rental income, occupancy rates, discount rates, and historical transactions.
- We have considered the objectivity, independence and expertise of the external appraisers.
- We assessed that the significant assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 15 to the consolidated financial statements.

Other information included in the Group's 2021 Annual report
Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

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

- 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 statements. 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 year 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2021, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM ALSAMDAN
LICENSE NO. 208 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

20 February 2022
Kuwait

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021** **KD**	2020 KD
Rental income	3	**3,895,628**	3,598,905
Other services and operating income		**24,580**	6,593
Property operating expenses		**(273,021)**	(246,857)
Change in fair value of investment properties	7	**230,351**	(59,472)
Net gain on investment properties		**3,877,538**	3,299,169
Share of results of an associate	6	**156,248**	84,418
Net gain on investment		**156,248**	84,418
Administrative expenses		**(1,071,707)**	(874,780)
Foreign exchange (loss) gain		**(24,569)**	2,357
Other income		**5,956**	29,204
Operating profit		**2,943,466**	2,540,368
Finance costs		**(1,006,628)**	(1,169,334)
Provision for expected credit losses		**(342,834)**	(1,234,072)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATON		**1,594,004**	136,962
KFAS		**(14,346)**	(1,233)
NLST		**(50,705)**	(36,421)
Zakat		**(20,282)**	(14,568)
Board of directors' remuneration		**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**1,478,671**	54,740
BASIC AND DILUTED EARNINGS PER SHARE	4	**4 fils**	0.15 fils

The attached notes 1 to 16 form part of these consolidated financial statement

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	**2021**	2020
		KD	KD
PROFIT FOR THE YEAR		**1,478,671**	54,740
		————	————
Other comprehensive (loss) income:			
Item that are (or) may be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments of foreign operations		**(16,244)**	3,486
Foreign currency translation adjustments of an associate	6	**(21,142)**	6,871
		————	————
Other comprehensive (loss) income for the year		**(37,386)**	10,357
		————	————
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,441,285**	65,097
		════	════

The attached notes 1 to 16 form part of these consolidated financial statement

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 KD	2020 KD
ASSETS			
Bank balances and cash		**4,627,469**	3,882,346
Accounts receivable and prepayments	5	**565,216**	656,460
Inventory properties		**534,526**	608,732
Investment in an associate	6	**8,133,453**	8,171,714
Investment properties	7	**60,612,161**	60,347,404
Property and equipment		**15,056**	12,822
TOTAL ASSETS		**74,487,881**	73,679,478
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accruals		**973,230**	796,981
Islamic financing payables	8	**32,300,564**	33,196,542
Employees' end of service benefits		**1,045,087**	958,240
Total liabilities		**34,318,881**	34,951,763
Equity			
Share capital	9	**37,000,000**	37,000,000
Statutory reserve	9	**586,276**	426,876
General reserve	9	**586,276**	426,876
Share options reserve		**142,253**	142,253
Foreign currency translation reserve		**206,779**	244,165
Treasury shares reserve		**18,132**	18,132
Retained earnings		**1,629,284**	469,413
Total equity		**40,169,000**	38,727,715
TOTAL LIABILITIES AND EQUITY		**74,487,881**	73,679,478

Sheikha / Yasmin Mubarak Al-Jaber Al-Ahmad Al-Sabah
Chairman

Tareq Fareed Al-Othman
Vice Chairman and Executive President

The attached notes 1 to 16 form part of these consolidated financial statement

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital	Statutory reserve	General reserve	Share options reserve	Foreign currency translation reserve	Treasury shares reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2021	**37,000,000**	**426,876**	**426,876**	**142,253**	**244,165**	**18,132**	**469,413**	**38,727,715**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,478,671**	**1,478,671**
Other comprehensive loss for the year	**-**	**-**	**-**	**-**	**(37,386)**	**-**	**-**	**(37,386)**
Total comprehensive (loss) income for the year	**-**	**-**	**-**	**-**	**(37,386)**	**-**	**1,478,671**	**1,441,285**
Transfer to reserves	**-**	**159,400**	**159,400**	**-**	**-**	**-**	**(318,800)**	**-**
At 31 December 2021	**37,000,000**	**586,276**	**586,276**	**142,253**	**206,779**	**18,132**	**1,629,284**	**40,169,000**
At 1 January 2020	37,000,000	413,180	413,180	142,253	233,808	18,132	1,182,065	39,402,618
Profit for the year	-	-	-	-	-	-	54,740	54,740
Other comprehensive income for the year	-	-	-	-	10,357	-	-	10,357
Total comprehensive income for the year	-	-	-	-	10,357	-	54,740	65,097
Transfer to reserves	-	13,696	13,696	-	-	-	(27,392)	-
Distribution of dividends (Note 9)	-	-	-	-	-	-	(740,000)	(740,000)
At 31 December 2020	37,000,000	426,876	426,876	142,253	244,165	18,132	469,413	38,727,715

The attached notes 1 to 16 form part of these consolidated financial statement

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 KD	2020 KD
Operating activities			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		**1,594,004**	136,962
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Depreciation		**10,729**	11,357
Provision for employees' end of service benefits		**102,345**	96,025
Share of results of an associate	6	**(156,248)**	(84,418)
Change in fair value of investment properties	7	**(230,351)**	59,472
Finance costs		**1,006,628**	1,169,334
Provision for expected credit losses		**342,834**	1,234,072
Foreign exchange loss (gain)		**24,569**	(2,357)
		2,694,510	2,620,447
Working capital adjustments:			
Accounts receivable and prepayments		**(251,780)**	(533,963)
Accounts payable and accruals		**82,104**	(123,247)
Cash flows from operations		**2,524,834**	1,963,237
Employees' end of service benefits paid		**(15,498)**	(10,236)
Net cash flows from operating activities		**2,509,336**	1,953,001
investING activities			
Proceeds from capital redemption of investment in an associate		**173,367**	230,500
Additions to property and equipment		**(12,963)**	(705)
Net cash flows from investing activities		**160,404**	229,795
financing activities			
Proceeds from Islamic financing payables		**-**	500,000
Repayment of Islamic financing payables		**(1,083,094)**	(100,000)
Finance costs paid		**(810,754)**	(1,115,118)
Dividends paid		**(20,989)**	(721,197)
Net cash flows used in financing activities		**(1,914,837)**	(1,436,315)
NET INCREASE IN BANK BALANCES AND CASH		**754,903**	746,481
Net foreign exchange difference		**(9,780)**	(6,492)
Bank balances and cash at 1 January		**3,882,346**	3,142,357
BANK BALANCES AND CASH AT 31 DECEMBER		**4,627,469**	3,882,346
Non cash transactions			
Inventory properties		**(74,206)**	-
Investment properties		**74,206**	-
		-	-

The attached notes 1 to 16 form part of these consolidated financial statement

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the board of directors on 20 February 2022. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the Annual General Assembly meeting of the Parent Company's shareholders.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders of the Parent Company in the annual general assembly meeting held on 31 March 2021.

The Parent Company is a public Kuwaiti shareholding company registered and incorporated in Kuwait on 18 April 1983. The Group operates in accordance with the Islamic Share'a and is engaged in the following activities:

- Purchase and sale of land and real estate and exchange thereof; constructing buildings, commercial and residential complexes, and lease and rental thereof.
- Management of own properties and of third parties both inside and outside Kuwait.
- Sale and purchase of securities of companies carrying on similar activities.
- Development and building of real estate properties for the Group and for third parties.
- Maintenance works of buildings and real estate properties owned by the Group, including civil, mechanical, air-conditioning works to preserve all buildings and properties.
- Investing in equities and other investments.

The registered office of the Parent Company is P.O. Box 5655, Safat, 13057 Kuwait. The Parent Company was listed on the Kuwait Stock Exchange on 26 September 2005.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name of company	Equity interest		Country of incorporation	Activities
	2021	2020		
Madar Al Kuwait Trading and Contracting Company - Single Person Company	**100%**	100%	Kuwait	General trading
Tilal Real Estate Company W.L.L.*	**95%**	95%	Saudi Arabia	Real Estate

*The remaining shares in the subsidiary are held by related parties who have confirmed in writing

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

1 CORPORATE AND GROUP INFORMATION (continued)

1.2 GROUP INFORMATION

that the Parent Company is the beneficial owner.

b) Associate

Set out below are the associate of the Group as at 31 December. For more details, refer to Note 6.

	Country of	Equity interest as at 31 December		
		2021	2020	
Name of company	Incorporation	%	%	Principal activities
Al Madar Al Thahabia Company W.L.L. ("Al Madar")	Kingdom of Saudi Arabia	**24**	24	Sale, purchase, rent and lease of real estate properties and lands

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPERATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention , except for investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 16.

2.2 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. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2022 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

2.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively the "Group") as at 31 December 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

Exposure, or rights, to variable returns from its involvement with the investee; and

The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group 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 into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises assets (including goodwill), liabilities, non-controlling interests, and other components of equity while any resultant gain or loss is recognized in the consolidated statement of profit or loss. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value.

Revenue recognition

Revenue is recognised either at a point in time or overtime, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other service and operating income

Other service and operating income earned for the provision of services over a period of time are accrued over that period.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Foreign currencies

The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
i) Transactions and balances (continued)

amount is reclassified to consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their profit or loss statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Financial assets at amortised cost

For purposes of subsequent measurement, the Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Financial assets at amortised cost (continued)

- Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Since the Group's financial assets (bank balances and cash and rent receivables) meet these conditions, they are subsequently measured at amortised cost.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are

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NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS
As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial instruments – initial recognition, subsequent measurement and derecognition (continued)
Impairment of financial assets (continued)

integral to the contractual terms.

For rent receivables, and for the impairment of contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include accounts payable and accruals and Islamic financing payables.

Financial liabilities, are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, with the exception of derivative financial

instruments, net of directly attributable transaction costs.

Subsequent measurement

For the purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

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As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Subsequent measurement (continued)

Derivative financial instruments are classified as financial assets at fair value through profit or loss and are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

For the Islamic financing payables depends on each products as follows:

Ijara payables represents the amount payable on a deferred settlement basis for assets purchased under ijara and tawarruq arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due plus finance cost payable, net of any deferred costs.

Tawarruq payables represent amounts payable on a deferred settlement basis for commodities purchased under Tawarruq arrangements. Tawarruq payables are stated at the gross amount of the payables plus finance cost payable, less deferred profit payables.

Murabaha payable is an Islamic agreement which represents the amount payable, on a deferred settlement basis, exceeding one year for assets purchased under murabaha arrangements.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of consolidated financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventory properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV). Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

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2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Inventory properties (continued)

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Investment in an associate

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 considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
Investment in an associate (continued)

tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Investment properties

Investment property comprises completed properties that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business.

Investment property comprises principally offices, residential appartements, commercial units and retail property that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying

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NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies' law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue 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, product and services, class of customers, distribution methods and nature of regulatory environment where appropriate are aggregated and reported as reportable segments.

Fair value measurements

The Group measures its non-financial assets such as investment properties, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the consolidated financial statements. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. An analysis of fair values of investment properties are provided in Note 15.

2.5 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant judgements

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

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continue)

Significant judgements (continue)

Classification of real estate properties

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For rent receivables , the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continue)

Estimates and assumptions (continue)

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties are measured based on estimates prepared by independent real estate valuation experts. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 7 and 15.

3 REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2021 KD	2020 KD
Types of revenue:		
Rental income*	**3,895,628**	3,598,905
Other services and operating income	**24,580**	6,593
	3,920,208	3,605,498
Timing of revenue recognition:		
Revenue recognised over time	**3,895,628**	3,598,905
Revenue recognised at point in time	**24,580**	6,593
	3,920,208	3,605,498
Geographical markets:		
Kuwait	**3,318,710**	2,880,066
Kingdom of Saudi Arabia	**601,498**	725,432
	3,920,208	3,605,498

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

3 REVENUE (continued)

*As a direct consequence of the COVID-19 coronavirus pandemic, during prior year the Group provided one-off rent reductions amounting to KD 434,736 to certain lessees. No other substantive changes have been made to the terms of the lease, and accordingly the Group accounted for the effect of the rent concession by recognising lower rental income from leases.

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic 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). 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 that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at the reporting date, the Group had no outstanding dilutive potential shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021 **KD**	2020 KD
Profit for the year (KD)	**1,478,671**	54,740
Weighted average number of shares outstanding during the year (excluding treasury shares) *	**370,000,000**	370,000,000
Basic and diluted earnings per share	**4 fils**	0.15 fils

* The weighted average of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of these consolidated financial statements.

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021 **KD**	2020 KD
Rent receivables	**1,689,238**	1,498,688
Provision for expected credit losses	**(1,428,619)**	(1,086,628)
Net rent receivables	**260,619**	412,060

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As at end for the year ended 31 December 2021

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Receivable from property developer	**743,608**	743,608
Provision for expected credit losses	**(743,608)**	(743,608)
	________	________
Net receivable from property developer	**-**	-
	________	________
Prepaid expenses	**25,392**	18,995
Staff receivables	**19,993**	27,219
Other receivables	**259,212**	198,186
	________	________
	565,216	656,460
	========	========

As at 31 December 2021, rent receivables at nominal value of KD 1,428,619 (31 December 2020: KD 1,086,628) were impaired and fully provided for.

Movement in the provision for expected credit losses were as follows:

	2021 KD	2020 KD
At 1 January	**1,830,236**	599,987
Charge for the year	**342,834**	1,234,072
Foreign currency translation adjustments	**(843)**	(3,823)
	________	________
At 31 December	**2,172,227**	1,830,236
	========	========

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

6 INVESTMENT IN AN ASSOCIATE

Movement in the carrying amount of investment in an associate is as follows:

	2021 KD	2020 KD
At 1 January	**8,171,714**	8,310,925
Return of capital	**(173,367)**	(230,500)
Share of result	**156,248**	84,418
Foreign currency translation adjustments	**(21,142)**	6,871
	————	————
At 31 December	**8,133,453**	8,171,714
	════	════

The following table illustrates the summarised financial information of the associate. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts.

	2021 KD	2020 KD
Statement of financial position:		
Current assets	**789,254**	637,696
Non-current assets	**34,375,279**	34,467,630
Current liabilities	**(1,208,362)**	(1,003,843)
Non-current liabilities	**(66,783)**	(52,676)
	————	————
Equity	**33,889,388**	34,048,807
	════	════
Ownership interest held by the Group	**24%**	24%
	════	════
Group's share in the equity	**8,133,453**	8,171,714
	════	════

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

6 INVESTMENT IN AN ASSOCIATE (continued)

Statement of profit or loss		
Revenue	**2,165,099**	1,717,523
	═══════	═══════
Profit for the year	**651,034**	351,741
	═══════	═══════
Ownership interest held by the Group	**24%**	24%
	───────	───────
Group's share of profit	**156,248**	84,418
	═══════	═══════

7 INVESTMENT PROPERTIES

	2021 KD	2020 KD
At 1 January	**60,347,404**	60,396,066
Additions	**74,206**	-
Change in fair value of investment properties	**230,351**	(59,472)
Net foreign exchange (loss) gain	**(39,800)**	10,810
	───────	───────
At 31 December	**60,612,161**	60,347,404
	═══════	═══════

As at 31 December 2021, investment properties of KD 4,450,000 (2020: KD 4,250,000) are held in the name of a third party under Ijara agreement (Note 8).

As at 31 December 2021, certain investment properties amounting to KD 32,005,000 (2020: KD 31,953,000) are pledged as a security against Murabaha agreement of KD 24,750,000 (2020: KD 25,400,000) (Note 8).

Certain investment property amounting to KD 1,297,465 (2020: KD 1,165,304) is included as part of foreign real-estate portfolio managed by an external portfolio manager.

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2021

7 INVESTMENT PROPERTIES (continued)

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are an industry specialised in valuing these types of properties. One of the valuers is a local bank who has valued the local investment properties using the income capitalization approach, the other is a local reputable accredited valuer who has valued the local investment properties using the income capitalization approach. As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations.

For foreign properties the valuation has been performed by a reputable accredited valuer who has valued these properties using the income capitalization approach.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 and 2020 are disclosed in Note 15.

8 ISLAMIC FINANCING PAYABLES

2021	Ijara KD	Tawaruq KD	Murabaha KD	Total KD
Gross amount	3,573,206	4,560,745	29,322,846	37,456,797
Less: deferred profit	(473,746)	(296,792)	(4,385,695)	(5,156,233)
	3,099,460	4,263,953	24,937,151	32,300,564

2020	Ijara KD	Tawaruq KD	Murabaha KD	Total KD
Gross amount	3,686,297	5,113,741	30,532,480	39,332,518
Less: deferred profit	(587,155)	(418,388)	(5,130,433)	(6,135,976)
	3,099,142	4,695,353	25,402,047	33,196,542

Islamic finance payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.5% to 3.25% (2020: 1.5% to 3.25%) per annum over Central Bank of Kuwait discount rate. Islamic financing payables are mainly due within range of 1 to 8 years from the reporting date.

As at 31 December 2021, Ijara payable of KD 3,095,644 (2020: KD 3,095,644) are secured by the

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8 ISLAMIC FINANCING PAYABLES (continued)

investment properties of KD 4,450,000 (31 December 2020: KD 4,250,000 (Note 7).

As at 31 December 2021, Murabaha payable of KD 24,750,000 (2020: KD 25,400,000) are secured by the investment properties of KD 32,005,000 (2020: KD 31,953,000) (Note 7).

Changes in liabilities arising from financing activities

2021	1 January KD	Cash Flows –in/(out) KD	Other – in/(out) KD	31 December KD
Ijara payable	3,099,142	-	318	3,099,460
Tawarruq payable	4,695,353	(433,094)	1,694	4,263,953
Murabaha payable	25,402,047	(650,000)	185,104	24,937,151
	33,196,542	(1,083,094)	187,116	32,300,564

2020	1 January KD	Cash Flows –in/(out) KD	Other – in/(out) KD	31 December KD
Ijara payable	3,098,612	-	530	3,099,142
Tawarruq payable	4,684,769	-	10,584	4,695,353
Murabaha payable	24,956,687	400,000	45,360	25,402,047
	32,740,068	400,000	56,474	33,196,542

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9 SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES

a) Share capital

	Number of shares		Authorised, issued and fully paid	
	2021	2020	**2021**	2020
	KD	KD	**KD**	KD
Shares of 100 fils each (paid in cash)	**370,000,000**	370,000,000	**370,000,000**	370,000,000

b) Proposed and distributions made

	2021 KD	2020 KD
Proposed dividends on ordinary shares:		
2021: 3 fils (2020: Nil)	**1,110,000**	-

	2021 KD	2020 KD
Cash dividends on ordinary shares declared and paid:		
2020: Nil (2019: 2 fils per share)	-	740,000

The Annual General Assembly of the shareholders of the Parent Company held on 31 March 2021 approved the consolidated financial statements for the year ended 31 December 2020 resolved not to distribute cash dividends for the year then ended

c) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

9 SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES (continued)

d) General reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the general reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

10 RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

The Group has recognized a loss of KD 24,403 (31 December 2020: gain of KD 8,574) in the consolidated statement of profit or loss on foreign exchange rate fluctuation in SAR relating to the amounts due from one of the Group's subsidiary of SAR 111,145,584 (31 December 2020: SAR 115,709,647). No balance with related parties included in the consolidated statement of financial position as at the reporting date.

Key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2021 KD	2020 KD
Salaries and short-term benefits	**304,200**	304,200
Employees' end of service benefits	**60,112**	60,277
	364,312	364,477

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 30,000 for the year ended 31 December 2021. This proposal is subject to the approval of the shareholder at the AGM of the Parent Company.

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11 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitment

The Group does not have any capital commitments in respect of construction agreements as of the reporting date.

Contingent liabilities

The Group does not have any contingent liabilities as of the reporting date.

12 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real Estate management comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and the provision of other related real estate services.
- Investment management comprises participation in financial and real estate funds and managing the Group's liquidity requirements.
- Other management comprises other activities rather than real estate and investment activities.

31 December 2021	Real estate activities	Investment activities	Others	Total
	KD	KD	KD	KD
Net gain on investment properties	3,877,538	-	-	3,877,538
Share of results of an associate	-	156,248	-	156,248
Administrative expenses	(1,071,707)	-	-	(1,071,707)
Foreign exchange loss	-	-	(24,569)	(24,569)
Other income	-	-	5,956	5,956
Finance costs	(1,006,628)	-	-	(1,006,628)
Provision for expected credit losses	(342,834)	-	-	(342,834)
Unallocated expenses	-	-	(115,333)	(115,333)
Segment profit	1,456,369	156,248	(133,946)	1,478,671

Segment assets	66,339,372	8,133,453	15,056	74,487,881
Segment liabilities	33,273,794	-	1,045,087	34,318,881

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12 SEGMENT INFORMATION (continued)

31 December 2020	Real estate activities	Investment activities	Others	Total
	KD	KD	KD	KD
Share of results of an associate	-	84,418	-	84,418
Administrative expenses	(874,780)	-	-	(874,780)
Foreign exchange gain	-	-	2,357	2,357
Other income	-	-	29,204	29,204
Finance costs	(1,169,334)	-	-	(1,169,334)
Provision for expected credit losses	(1,234,072)	-	-	(1,234,072)
Unallocated expenses	-	-	(82,222)	(82,222)
Segment profit	20,983	84,418	(50,661)	54,740

Segment assets	65,494,942	8,171,714	12,822	73,679,478
Segment liabilities	33,993,523	-	958,240	34,951,763

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise Islamic finance payables and accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivables and bank balances and cash that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Group's senior management is supported by the Board of Directors, that advises on financial risks and the appropriate financial risk governance framework for the Group. The Board of Directors provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily rental income receivables), including cash at banks.

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2021 KD	2020 KD
Bank balances (excluding cash on hand)	**4,625,823**	3,880,805
Accounts receivable (excluding prepayments and advances)	**501,195**	637,465
	5,127,018	4,518,270

The Group's financial assets, before taking into account any collateral held or other credit enhancements (if any), can be analysed by the following geographical regions and industrial sectors:

	2021				2020			
	Banking and financial services KD	**Construction and real estate KD**	**Other KD**	**Total KD**	Banking and financial services KD	Construction and real estate KD	Other KD	Total KD
Kuwait	**4,358,264**	**238,254**	**36,993**	**4,633,511**	3,636,577	239,976	45,194	3,921,747
Other GCC	**267,559**	**118,340**	**107,608**	**493,507**	244,228	281,594	70,701	596,523
	4,625,823	**356,594**	**144,601**	**5,127,018**	3,880,805	521,570	115,895	4,518,270

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13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.1 Credit risk (continued)

The Group has concluded that it is not significantly exposed to credit risk on bank balances as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of tenant receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

13.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with

financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

31 December 2021	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
LIABILITIES						
Accounts payable and accruals (excluding advances from tenants)	-	-	882,252	-	-	882,252
Islamic financing payables	535,070	48,802	1,172,457	7,707,466	27,993,002	37,456,797
TOTAL LIABILITIES	535,070	48,802	2,054,709	7,707,466	27,993,002	38,339,049

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13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.2 Liquidity risk (continued)

31 December 2020	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
LIABILITIES						
Accounts payable and accruals (excluding advances from tenants)	-	-	693,357	-	-	693,357
Islamic financing payables	773,642	250,371	596,714	4,464,965	33,246,826	39,332,518
TOTAL LIABILITIES	773,642	250,371	1,290,071	4,464,965	33,246,826	40,025,875

13.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: profit rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include Islamic financing payables, certain accounts payable, bank balances, and certain accounts receivable. The Group is exposed to profit rate risk and currency risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Group is exposed to profit rate risk on its floating profit bearing Islamic financing payables (Note 8). Other than this the Group is not exposed to any other significant profit risk.

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13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Profit rate risk (continued)

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in profit rates, with all other variables held constant:

	Increase / decrease in basis points	Effect on profit for the year KD
2021	**+/-1%**	**320,873**
2020	+/-1%	331,792

b) Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and (liabilities) at the reporting date:

	2021 Equivalent	2020 Equivalent
	KD	KD
SAR	**119,743,620**	128,115,309
USD	**(9,288,843)**	(10,221,718)

Currency sensitivity

The following tables demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit due to changes in the fair value of monetary assets and liabilities is as follows:

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NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

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13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.3 Market risk (continued)

Currency sensitivity (continued)

Currency	Change in exchange rate	Effect on profit or loss (relates to monetary financial assets and liabilities)	
		2021 KD	2020 KD
SAR	±3%	**290,165**	311,220
USD	±3%	**84,296**	92,992

There is no sensitivity effect on OCI as the Group has no assets classified as fair value through OCI or designated hedging instruments.

An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

14 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and 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. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic finance payables and accounts payable and accruals (excluding advances from tenants), less bank balances and cash. Capital represents total equity of the Parent Company.

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14 CAPITAL MANAGEMENT (continued)

	2021 KD	2020 KD
Accounts payable and accruals (excluding advances from tenants)	**882,252**	693,357
Islamic financing payables	**32,300,564**	33,196,542
Less: Bank balances and cash	**(4,627,469)**	(3,882,346)
Net debt	**28,555,347**	30,007,553
Equity	**40,169,000**	38,727,715
Total capital and net debt	**68,724,347**	68,735,268
Gearing ratio	**41.55%**	43.66%

15 FAIR VALUE MEASUREMENTS

Investment properties have been stated at fair values. For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or repriced immediately based on market movement in interest rates.

The Group's investment properties is valued using level 3 of the fair value measurement. During the year, there were no transfers into and out of level 3 fair value measurements. The reconciliation of the opening and closing amount of Level 3 is presented in Note 7.

The Group has one class of properties (residential, commercial and industrial). The valuation technique used to derive to Level 3 fair values is income capitalisation approach.

The table below illustrates the significant unobservable inputs used in the fair value measurement of investment properties.

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15 FAIR VALUE MEASUREMENTS (continued)

	2021		2020	
	Kuwait	**GCC**	Kuwait	GCC
Estimated market price for the land (per sqm) (KD)	**1,905**	**657**	1,831	658
Construction costs (per sqm) (KD)	**402**	**421**	410	459
Average monthly rent (per sqm) (KD)	**9**	**6**	9	6
Yield rate	**8.5%**	**8.8%**	8.7%	8.4%
Vacancy rate	**11.6%**	**55.2%**	11.3%	48.0%

Sensitivity analysis

Significant increase (decrease) in average rent per sqm, yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

		2021		2020	
	Changes in valuation assumptions	**Kuwait**	**GCC**	Kuwait	GCC
		KD	**KD**	KD	KD
		1			
Estimated market price for the land	5%	**1,509,250**	**358,538**	1,450,750	359,430
Average rent	5%	**2,201,250**	**764,485**	2,157,400	801,705
Yield rate	5%	**2,096,429**	**728,081**	2,054,667	763,529
Vacancy rate	5%	**2,201,250**	**764,485**	2,157,400	801,705

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16 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

2021	Within 1 year KD	1 to 10 Years KD	Total KD
Assets			
Bank balances and cash	4,627,469	-	4,627,469
Accounts receivable and prepayments	565,216	-	565,216
Inventory properties	534,526	-	534,526
Investment in an associate	-	8,133,453	8,133,453
Investment properties	-	60,612,161	60,612,161
Property and equipment	-	15,056	15,056
Total assets	5,727,211	68,760,670	74,487,881
Liabilities			
Accounts payable and accruals	973,230	-	973,230
Islamic financing payables	1,002,920	31,297,644	32,300,564
Employees' end of service benefits	-	1,045,087	1,045,087
TOTAL LIABILITIES	1,976,150	32,342,731	34,318,881

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16 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2020	Within 1 year KD	1 to 10 Years KD	Total KD
Assets			
Bank balances and cash	3,882,346	-	3,882,346
Accounts receivable and prepayments	656,460	-	656,460
Inventory properties	608,732	-	608,732
Investment in an associate	-	8,171,714	8,171,714
Investment properties	-	60,347,404	60,347,404
Property and equipment	-	12,822	12,822
Total assets	5,147,538	68,531,940	73,679,478
Liabilities			
Accounts payable and accruals	796,981	-	796,981
Islamic financing payables	617,737	32,578,805	33,196,542
Employees' end of service benefits	-	958,240	958,240
TOTAL LIABILITIES	1,414,718	33,537,045	34,951,763