2019 ANNUAL REPORT

TIJARA

تجارة

شركة التجارة والاستثمار العقاري ش.م.ك عامة

& REALESTATE INVESTMENT K.S.C (PUBLIC)

In the name of Allah

The most gracious and the most merciful

His highness shaikh
SABAH AL AHMED AL JABER AL SABAH
The Amir of the State of Kuwait

His highness shaikh
NAWAF AL AHMED AL SABAH
Crown Prince

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BOD Reports

Dear Esteemed Shareholders

On my own behalf and on behalf of the Members of the Board of Directors, I am pleased to present the 2019 Annual Report of Tijara & Real Estate Investment Company, which highlights the good performance of the Company during 2019 and shows the positive financial results of its business not affected by market changes, which reflects the distinction of the Company's strategy and policies and embodies the strength of its financial position.

Competitive pressures are a daily challenge for the Company. However, the Company's long-term strategy is due to the Company's ability to adapt to market trends in terms of providing services and required solutions for its customers, which makes the Company able to develop its business systems, seize opportunities arising from the challenges it faced, and continue to improve its business better than ever in order to enhance its future growth.

Developments in the global economy

The impact of adverse global developments remains weak to date on growth in the countries of the Middle East region, but growth remains below the level sufficient to meet the needs of the growing population, while the risks surrounding the outlook for the economy have increased, and these risks include the uncertainties surrounding global trade and volatile oil prices, Geopolitical tensions, and internal weaknesses in some countries.

The performance of oil in 2019 was the best since 2016, as the price of Brent crude and West Texas Intermediate crude oil recorded annual gains of 23% and 35%, respectively, and the price of Kuwaiti export crude increased by 31% at the end of the year to reach the level of 68.4 USD per barrel. Since the beginning of the third quarter of 2019, oil prices have benefited greatly from the low pace of trade tensions between the United States and China, which were considered the most dangerous negative factors that cast a shadow on the global markets and the global economy.

It is expected that the pressure on oil prices will increase, which may lead it to record bigger declines during the first half of the year 2020, in light of the increase in supply and the increase in inventory, as well as the geopolitical risks that still exist, and if their intensity subsides, the crises that appeared on the scene recently in Libya and the closure of oil pipeline, in addition to the Iranian-American confrontations, is one of the most important hotspots. The possibilities of Iraq supplies, which is the second largest OPEC producer with production of 4.6 million barrels per day, will be subject to any interruption that will have a severe impact on the oil market. And it appears that the markets that depend on increasing Shale Oil production in the United States, has ignored the geopolitical risks and their impact on supplies, but it must remember that the bulk of the world's reserves are concentrated in the region.

Kuwaiti Economy Developments

While the prospects for growth in the near term remain modest, there is some positive news in terms of structural reforms, which was reflected in the latest release of two world reports, one of the most influential reports to measure the evidence of business activities. As Kuwait jumped eight places in ranking (46 out of 141 countries) the competitiveness index issued by the World Economic Forum thanks to major reforms at the level of a number of sub-indicators, including information and communications technology, health care, the operational environment and the labor market, and against the background of this classification, Kuwait outperformed the Sultanate of Oman, as it came directly behind Bahrain at the level of the Gulf Cooperation Council countries classification. Kuwait topped the first rank in the world in terms of (macroeconomic stability) thanks to the low rate of inflation and good sovereign debt dynamics.

On the other hand, the World Bank ranked Kuwait among the list of the 10 best countries (the most improving) out of 190 economies in the recently released report for 2020 as Kuwait's rating jumped from 97 in 2019 to 83 in 2020, which reflects the reforms that have been applied in many areas, including procedures for starting a business and obtaining electricity and trade across borders, these developments have contributed to improving the investment climate and improving the business environment within the framework of achieving the new Kuwait vision 2035.

In 2019, the liquidity of private housing activity increased by 13.6% compared to 2018, as contracts and agencies reached about KD 1571 million, and their relative contribution amounted to about 46% of market liquidity, which is higher than its share in 2018 of 38.1%, while liquidity of the housing activity investment decreased to about KD 1213 million, with a decrease in the percentage of its contribution to market liquidity to about 35.5%, while its share was about 45.5% of the market liquidity in 2018, and the percentage of decrease in the liquidity of the housing activity investment reached about 26.6% in 2019 compared to year 2018. Private and housing activity investment accounted for 81.5% of the liquidity of the real estate market in 2019, leaving about 18.5% of the liquidity in commercial activity and warehouse activity. Trading activity increased to about KD 619.2 million, an increase of about 7.2%, and its share of total market liquidity increased to about 18.1% in 2019, while its share was about 15.9% of market liquidity in 2018.

Our future aspirations and development vision 2035

At a time when the oil exporting countries are suffering from fluctuating oil prices, the vision of the State of Kuwait for the year 2035 in the name of New Kuwait came as it aims to transform Kuwait into a Global Financial and Commercial Center by the year 2035.

In the year 2010, a vision was formulated by the government to transform into a Financial and Commercial Center and gradually abandon the oil economy. On the ground, giant projects began to emerge, especially in the infrastructure paving the way for the new Kuwait, by constructing one of the largest bridges in the region, and residential cities built in North and South of the country, huge road projects, new airports and ports, power stations and oil sector development.

This promising strategy provides the Company of trade and real estate investment broad opportunities for growth to achieve more services to its customers and the benefits to its Shareholders and all Stakeholders associated with it.

A Great Legacy of Successes

We are proud that today we are one of the most important real estate companies locally and the Company plays a major and fundamental role in bridging the gap between modern real estate requirements and the core values that the first founders believed in since 1983 and that will remain among the most important

Company values and pillars along the legacy of the successes achieved by the Company over the decades and an expression of the development witnessed by focusing on looking ahead.

The effective and careful implementation of the Company strategy is due to balanced performance, interconnectedness and positive communication, which mainly led to strengthening governance, providing high-quality service in addition to the ability to deal with updates, market fluctuations and future and expected regulatory requirements. To this end, the Company has been keen to start updating its vision, mission and values in order to enhance the Company's strategy in moving forward into the future.

Continuing growth in the midst of global market volatility

Tijara & Real Estate Investment Company continued the march of good performance in the year 2019, confirming the efficient and effective implementation of the Company's strategy and achieving stable and sustainable growth within the framework of balanced and coordinated performance, by focusing on the implementation of the strategy that was the main pillar for the promotion of real estate services and the Company achieved during the year 2019 net profits 1.406.533 million Kuwaiti Dinars, recording a return on assets of 1.9% and return on equity of 3.6%, which reflects the good performance achieved by the Company in all areas of business.

The foregoing reflects the flexibility, quality and diversity of the Company's revenues in an operational environment full of challenges, as the Company managed to maintain its good position in Kuwait and succeeded in promoting complementarities between its real estate products to provide the optimum real estate experience for customers.

Building leadership generations to take responsibility for the future

The employees of the Company are the most valuable assets from which the Company derives the strength of its entity and its good reputation. The Company has strengthened its investments in human resource development by continuing to raise the levels of training and qualification of all its employees through various training courses.

Corporate Governance Culture of the Company

We have strengthened the Corporate Governance System of the Company, and we have been keen to enhance the concept of internal control, the concept of transparency, disclosure, rights of Stakeholders and other Corporate Governance applications, and we have provided you with a Corporate Governance report for the year 2019 to see it and find out about the Corporate Governance standards that were followed by the Company during the past year.

Social Responsibility:

We believe in Tijara & Real Estate Investment Company that sustainable development will only be achieved through the development of an integrated community structure that meets the requirements of different societal groups, and includes Social Responsibility of Company and community employees as it focuses on fair treatment when hiring and health and safety related responsibility given the nature of the Company in addition to the responsibility to maintain the environment, for example, the Company held a training and awareness program to train students because of the Company’s belief that the real investment is investing in the human element, especially the youth, and the Company also cooperated with the Kuwaiti Society of Engineers by support of the students of College of Engineering in Kuwait, the Company also participated in the study of road network development project in the capital as the Company belief in its role in local development.

Our future aspirations

With the expectations of improving the growth of the Kuwaiti non-oil economy on the impact of moderate projects and financial reforms, we are looking for good future prospects for the economy, so we place our focus on strengths based on what we have established from a good reputation in the local market and through our foreign markets and direct our goals towards achieving significant progress accompanied by strategy plans to be able to exceed customer expectations and enhance their experience as well as increase profitability to be a Trade and Real Estate Investment Company among the leading companies in providing real estate services in their chosen markets. We, in the Company, look to achieve operational excellence and we have a primary goal that is increase growth of sustainable revenue and achieve good value for our Shareholders.

Recommendations and proposals

It is the pleasure of the Board of Directors to recommend to your esteemed General Assembly the following dividends for the fiscal year ending on 31 December 2019, which is KD 1.100,000, at 3 fils per share (compared to 2 fils per share for the previous year).

Acknowledgment and gratitude

At the conclusion of my speech, on behalf of BOD Members, the Members of the Board of Directors, on my own behalf and the Executive Management, I would like to thank His Highness the Emir of the country, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, and His Highness, Crown Prince, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may God protect them for their continuous support and sound guidance. We also would like to gratitude and thanks the Ministry of Commerce and Industry in addition to the Capital Markets Authority and Boursa Kuwait for their understanding of the local market and caring for its interests.

Hoping that in 2020 we will achieve what we have planned to achieve and may God grant success.

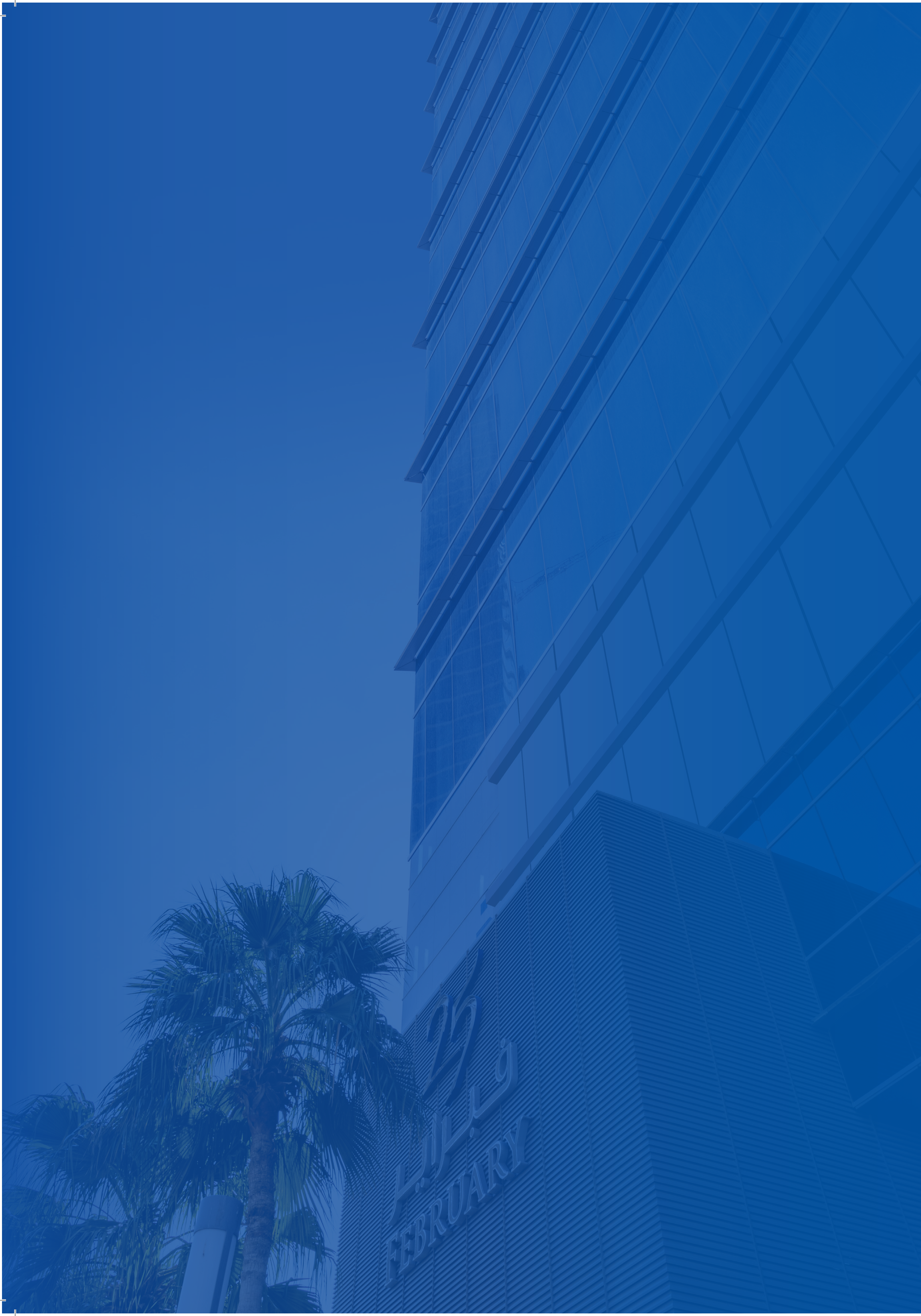
Sheikha/ Yasmine Mubarak Al-Jaber Al-Sabah
Chairman

Kuwait on 12/02/2020

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, 2019 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/ Yasmin Mubarak Al Jaber Al Sabbah	Chairman	
Mr. Tareq Farid Abdul Rahman Al Othman	Vice Chairman and Executive President	
Mr. Saad Nasser Faraj	Board member	
Miss. Anoud Fadhel Al Hathran	Board member	
Sheikh/ Abdullah Ali Al Khalifa Al Sabbah	Board member	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Corporate Governance Reports

During the past years, we have been working on building a solid base according to the best global applications to be a major methodology on which all our business is based, that rule is Corporate Governance, and the Company's Board of Directors has harnessed all efforts to develop its frameworks and mechanisms to suit our operations to lead us to the sustainability of our business.

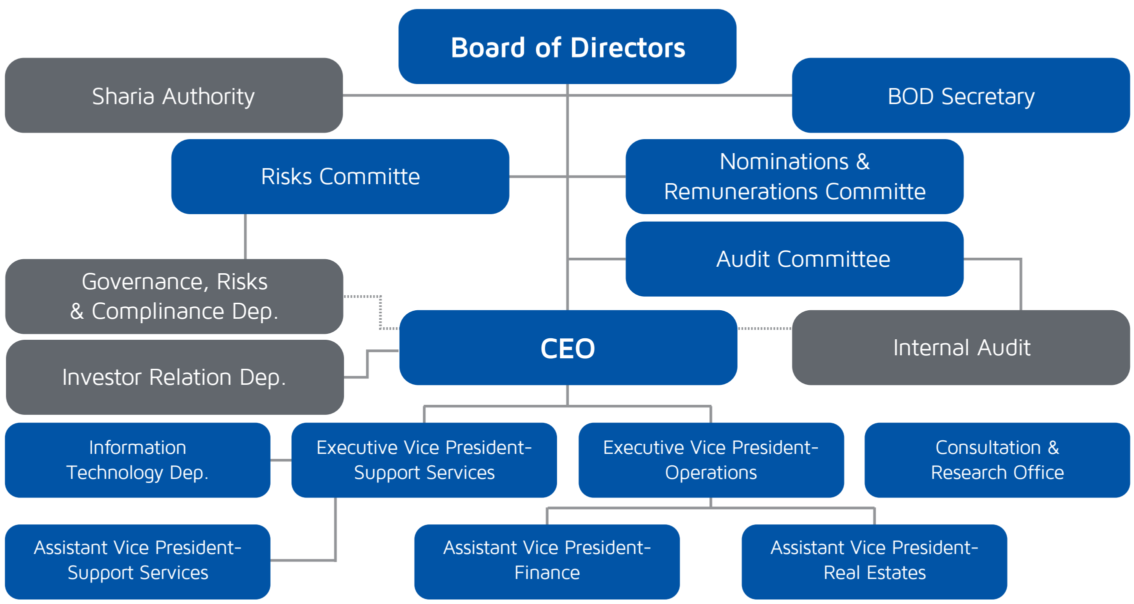
We have sought not to be satisfied with the limits of adherence to the requirements of Corporate Governance issued by the Capital Markets Authority in accordance with Letter (15) Corporate Governance regarding the issuance of the executive regulations of Law No. (7) for the year 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and its amendments, and we started with a new phase that crystallizes its axes in cultivating a culture of governance in our business patterns and employee practices.

RULE ONE: BUILDING A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS

Diversity is the main factor for success today in light of the rapid development in the global business environment. Therefore, the Board of Directors of Tijara & Real Estate Investment Company consists of individuals with extensive, diverse experiences and skills, resulting in a balanced and positive form for the Board, which enables the Board to exercise its tasks and responsibilities with taking into account renewable business needs.

1.1 Formation of the Board of Directors, as shown in the structure:

The Board of Directors of Tijara & Real Estate Investment Company has a structure commensurate with the size and nature of the Company's activities and also with the tasks and responsibilities entrusted to its members. In the formation of the Board, a variety of professional and practical experiences were taken into consideration in addition to technical skills. the Nomination and Remuneration Committee verifies the fulfillment of the members of the Board of Directors and the Executive Management of all the requirements of the Company's competency and integrity model guide and review of the required needs for appropriate skills for membership of the Board of Directors and Executive Management on an annual basis, and the following figure shows the Corporate Governance Structure:



The Board of Directors of Tijara & Real Estate Investment Company is composed of (5) members, of whom (1) an Executive Member and (4) Non-Executive Members of whom (2) are Independent. All members of the Board of Directors are professionals, and have the necessary skills to fill this position, as well as experience and knowledge in the field of real estate investment. All members of the Board of Directors are elected by the General Assembly every three years, the members were re-elected on the date of 09/05/2019, and the following table shows a summary of the formation of the Board of Directors:

Name	Member rank (Executive / Non-Executive / Independent), BOD Secretary	Academic qualification and experience	Date of election / appoint a secretary
Sheikha/ Yasmine Mubarak Al-Jaber Al-Sabah	Chairman – Non-Executive	Bachelor and 23 years of experience	09/05/2019
Mr. Tareq Farid Al-Othman	Vice Chairman and Executive President	Bachelor and 27 years of experience	09/05/2019
Mr. Saad Naser Faraj	Board Member – Independent	High School and 55 years of experience	09/05/2019
Ms. Anoud Fadhel Alhathran	Board Member – Independent	Master and 18 years of experience	09/05/2019
Sheikh / Abdullah Ali Al-Khalifa Al-Sabah	Board Member – Non-Executive	Bachelor and 8 years of experience	09/05/2019
Mrs. Tahani Al-Ajmi	BOD Secretary	Master and 23 years of experience	09/05/2019

1.2 Summary on meetings of the current Board of Directors for the year 2019:

Board meetings are held in the presence of the majority of members. In the fiscal year ending on 31 December 2019, (8) meetings of the Board of Directors were held, whereby the Board meeting is held at the written invitation of the president or based on a written request submitted by at least two members of the Board or Committees. The invitation and the business agenda shall be sent three working days before the specified date, at the very least, so that the members of the Board are enabled in a sufficient time to study the issues raised and take the appropriate decisions. This includes the Company contract and the articles of association organizing the process of attending the meetings of the Company's Board of Directors, as well as how to deal with cases of members 'irregularity in attending those meetings. The following table shows a summary of the Board of Directors' meetings:

	Meeting no.	1	2	3	4	5	6	7	8
	Meeting date	29/01/2019	20/03/2019	29/04/2019	09/05/2019	12/05/2019	22/07/2019	30/10/2019	31/10/2019
Member name	Position								
Shaikha/ Yasmine Al-Sabah	Chairman	✓	✓	✓	✓	✓	–	✓	✓
Mr. Tareq Al-Othman	Vice Chairman & Executive President	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Saad Faraj	Independent Member	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Anoud Alhathran	Independent Member	✓	✓	✓	✓	✓	✓	✓	✓
Sheikh / Abdullah Al-Sabah	Member	–	✓	✓	✓	✓	✓	✓	✓
Mrs. Tahani Al-Ajmi	BOD Secretary	✓	✓	✓	✓	✓	✓	✓	✓

1.3 Summary of how to implement the registration requirements and save the minutes of the Company's Board of Directors' meetings:

The Company has a special record in which the minutes of the Board meetings are recorded with successive numbers for the year in which the meeting took place, indicating place, date, start and end hours of the meeting, in addition to preparing minutes of discussions and deliberations including voting operations, tabulation and archiving them so that they can be referred to.

In addition, the Board reappointed Mrs. Tahani Al-Ajmi as Secretary to the Board of Directors on 09/05/2019 and there is a clear regulation regarding the duties and responsibilities of the Board Secretary approved by the Board of Directors and compatible with the requirements of the Capital Markets Authority, where it falls under its responsibilities to record and preserve all the signed minutes of the Board and the reports presented to it. It also informs the members of the Board of Directors of the meetings of the Board at least three working days before, and ensuring that the Board members have effective access to all the minutes of Board meetings and information related to the Company.

Independent Board Members

Tijara & Real Estate Investment Company consider the independence of the members of the Board of Directors as an essential advantage towards sound Corporate Governance. The independence standards of Tijara & Real Estate Investment Company are in line with the laws in accordance with the executive regulations of Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and its amendments.

Accordingly, the Board of Directors includes Non-Executive Members and Independent Members, in addition to that the Nomination and Remuneration Committee reviews the independence of the members of the Board of Directors annually and verifies that the independence status is not eliminated in accordance with the guide, the terms of independence of the Company which were approved by the Board of directors and in line with the regulatory requirements.

RULE TWO: THE PROPER IDENTIFICATION OF TASKS AND RESPONSIBILITIES

The Company has a clear separation of competencies between the Board of Directors and Executive Management in a manner that guarantees full independence, so that the Board of Directors can carry out its responsibilities effectively.

2.1 Summary on how the Company determines the tasks, responsibilities and duties of each of the members of the Board of Directors and the Executive Management in addition to the powers and authorities delegated to the Executive Management:

The Company has clearly defined the tasks and responsibilities of both the Board of Directors and the Executive Management in the approved policies and regulations to reflect the balance of powers and authorities between both the Board of Directors and the Executive Management. The Board of Directors of the Company undertake all the powers and authorities necessary to manage it, and the ultimate responsibility for the Company remains with the Board, even if it sets up Committees or delegates other entities or individuals to do some of its work.

2.1.1 Tasks of Board of Directors

The main tasks of the Company's Board of Directors include (and are not limited to) the following tasks:

1. Adoption of the Company's important goals, strategies, plans and policies, including the following, as a minimum:
   • The overall strategy of the Company and the main business plans, review and guidance.
   • The optimal capital structure of the Company and its financial goals.
   • Clear policy for distributing profits in the interests of the Shareholders and the Company.
   • Performance objectives, monitoring implementation, and overall performance in the Company.
   • The organizational and functional structures of the Company and periodic review thereof.
2. Approving the annual estimated budgets and adopting the interim and annual financial statements.
3. Oversee the main capital expenditures of the Company, own the assets and dispose of them.
4. Ensure that the Company adheres to the policies and procedures and ensure that the Company respects the applicable internal laws and regulations.
5. Ensure the accuracy and integrity of the data and information to be disclosed, in accordance with the established disclosure and transparency policies and systems of work.
6. Periodically disclosing and announcing the progress of the Company's activity in addition, all the influential developments that have taken place in its business.
7. Establish effective communication channels that allow the Company's Shareholders to be informed in a continuous and periodic manner on the various activities of the Company and any significant developments.
8. Establish a Corporate Governance Framework, general supervision of it, monitoring its effectiveness and amending it when needed.
9. Formation of specialized Committees emanating from it in accordance with a charter clarifying The Committee’s duration, powers and responsibilities and how The Board monitors them. The formation decision also includes naming the members and defining their tasks, rights and duties, in addition to evaluating the performance and work of these Committees and the main members thereof.
10. Ensure that the organizational structure of the Company is transparent and clear, enabling decision-making and achieving principles of good governance, and the separation of powers and authorities between each of the Board of Directors and Executive Management, and in this field the Board does the following:

- Adoption of internal regulations and regulations related to the Company's work and development, and the subsequent determination of tasks, powers, duties and responsibilities between different organizational levels.

- Credence of a delegation policy and implementation of the tasks assigned to the Executive Management.

11. Determine the powers delegated to the Executive Management, and decision-making procedures.

12. Overseeing and supervising the performance of Members of the Executive Management, and ensuring that they perform all the tasks assigned to them, as the Board of Directors performs the following:

    - Ensure that the Executive Management operates according to the policies and regulations approved by the Board of Directors.

    - Hold periodic meetings with the Executive Management to discuss the course of the work and its constraints and problems, as well as reviewing and discussing important information related to the Company's activities.

    - Setting performance standards for the Executive Management that are consistent with the goals and strategy of the Company.

13. Determine the rewards ranks that will be awarded to employees.

14. Appointment or removal of any of the Members of the Executive Management and Executive Chairman.

15. Establish a policy regulating the relationship with Stakeholders in order to preserve their rights.

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

17. Verify periodically the effectiveness and adequacy of the internal control systems in force in the Company, including:

    - Ensure the soundness of the financial and accounting systems, including those related to financial reporting.

    - Ensure the application of appropriate control systems to measure and manage risks, by defining the scope of risks that the Company may face and establishing an environment familiar with the culture of risk reduction at the Company level, and putting it in a transparent manner with Stakeholders and parties related to the Company.

2.1.2 Chairman and Chief Executive Officer of the Company

The tasks and responsibilities of the Chairman and Chief Executive Officer of the Company are completely clear and separate, and both positions are independent of the other and there is a clear division of functions and responsibilities assigned to both positions.

2.1.3 Tasks and responsibilities of the Chairman

The Chairman is responsible for the proper functioning of the Board of Directors in an appropriate and effective manner, including obtaining complete and correct information by members of the Board of Directors and independent members in a timely manner. The duties and responsibilities of the Chairman include, but are not limited to, the following:

1. Ensure that The Board discusses all key issues in an effective and timely manner.

2. Represent the Company in front of others, according to what is stipulated in the articles of association.

3. Encourage all Board members to participate fully and effectively in managing the affairs of the Board to ensure that the Board is in the interest of the Company.

4. Ensure effective communication with Shareholders and communicate their views to the Board of Directors.

5. Encourage constructive relations and effective participation between the Board and Executive Management and between Executive, Non-Executive, and Independent Members.

6. Creating a culture that encourages constructive criticism on issues around which there are divergent views among members of The Board.

2.1.4 Tasks and responsibilities of the Executive Management

The Executive Management of the Company is represented in the group of persons entrusted with managing the Company's daily operations. The main role assigned to the Executive Management in the following:

- Implement the Company's strategic plans and related internal policies and regulations, and ensuring their adequacy and effectiveness.

- Full responsibility for the Company's overall performance and business results, by creating a management structure that promotes accountability and transparency.

The following are some of the tasks and responsibilities of the Executive Management that must be adhered to in light of the powers and authorities vested in them by the Board of Directors.

1. Work to implement all the Company's internal policies, rules and regulations, approved by the Board of Directors.

2. Implement the strategy and annual plan approved by the Board of Directors.

3. Prepare periodic reports (financial and non-financial) regarding the progress made in the Company's activity in light of the Company's strategic plans and goals, and submitting those reports to the Board of Directors.

4. Establish an integrated accounting system that maintains books, records and accounts that accurately reflect financial statements and income accounts, allowing the Company to be preserved and prepare financial statements in accordance with international accounting standards.

5. Managing daily work and running the activity, as well as managing the Company's resources in an optimal way, and working to maximize profits and reduce expenses, in line with the goals and strategy of the Company.

6. Effective participation in building and developing a culture of moral values within the Company.

7. Establish internal control and risk management systems; ensure the effectiveness and adequacy of these systems, and ensuring commitment to the risk appropriation approved by the Board of Directors.

2.2 The achievements of the Board of Directors during the year 2019

The Board of Directors accomplished many achievements during the fiscal year ending on 31/12/2019 with regard to Corporate Governance applications, and the most prominent of these achievements (for example but not limited taking into account that all the achievements were presented in detail in other sections of the annual report) are the following:

- Review and discuss the loan restructuring agreement.
- Review, discuss and approve the Company's financial statements.
- Review and discuss the legal status of the Company and the status of current cases from or against tenants.
- Review and discuss the Company's real estate situation and the problems facing these investments.
- Review periodic reports of Risk Management after discussing them by the Risk Management Committee.
- Review and approve the Company's strategy for the next three years.
- Update and adopt human resources management policies and procedures.
- Adoption of employee succession plan policy.
- Discuss the update of the joint disclosure policy.
- Discuss actual performance compared to the estimated budget.

2.3 Brief of the applied requirements for the formation of the Board of Directors of independent specialized Committees:

The Committees are formed and their members appointed by the Board of Directors after each election session of the Board. The Committees emanating from the Board are considered links between the Executive Management and the Board of Directors. The purpose of forming these Committees is to enable the Board to perform its duties effectively.

The Board of Directors of Tijara & Real Estate Investment Company has three main Committees, as follows:

1. The Audit Committee (the date of formation and selection of the members of the Audit Committee is 12/05/2019, and the term of the Committee is three years from the date of formation to be consistent with the validity period of the Board).

2. The Risk Management Committee (the date of formation and selection of the members of the Risk Management Committee is 12/05/2019, and the term of The Committee is three years from the date of formation to be consistent with the validity period of the Board).

3. The Nomination and Remuneration Committee (the date of formation and selection of the members of the Nomination and Remuneration Committee is 12/05/2019 and the term of The Committee is three years from the date of formation that is consistent with the validity period of the Board).

The Company's Board of Directors approved the regulations and work systems of all The Committees, which include defining the tasks of each Committee, the duration of its work, and the powers granted to it during this period, and how the Board of Directors oversees them in a specific work charter for each Committee before the Board of Directors.

2.3.1 The Audit Committee

The Company is fully convinced that the presence of an Independent Audit Committee is one of the main features indicating the application of good governance rules, whereby the Audit Committee works to establish a culture of compliance within the Company by ensuring the integrity of the Financial Reports of the Company, as well as ensuring the adequacy and effectiveness of internal control systems applied in the Company.

The Audit Committee of Tijara & Real Estate Investment Company is completely independent, in addition to all its members having specialized expertise.

The Audit Committee consists of three members, two of them are Independent Board Members, and its Chairman is a Non-Executive Board Member. The Internal Audit Office representative regularly attends meetings in addition to a representative of the External Auditor who regularly attends Committee meetings.

The Audit Committee oversees on behalf of the Board of Directors in matters related to the audit. Therefore, The Committee has the responsibility to convince that the Internal Audit is conducted in accordance with the professionalism and that the scope of work is appropriate.

The meetings of the Audit Committee are held in a manner that takes into account the time considerations for the issuance of the Company's financial reports to external parties. The Committee meets at least four times annually on a quarterly basis.

2.3.1.1 Responsibilities and tasks of the Audit Committee

The Audit Committee's Responsibilities and tasks include, but are not limited to:

1. Review the periodic financial statements before submitting them to the Board of Directors, and expressing an opinion and recommending them to the Board of Directors in order to ensure fairness and transparency of financial reports.

2. Recommend to the Board of Directors the appointment and reappointment of External Auditors or to change or determine their fees, and when recommending appointment, consideration shall be given to ensuring their independence and reviewing their letters of appointment.

3. Follow-up on the 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. Study the External Auditors' observations on the Company's financial statements and follow-up on what has been done in this regard.

5. Study the accounting policies used and express an opinion and recommendation to the Board of Directors regarding them.

6. Evaluate the adequacy of the internal control systems applied within the Company and preparing reports that include the opinion and recommendations of The Committee in this regard.

7. Supervise the Company's Internal Audit Office in order to verify its effectiveness in carrying out the tasks and works specified by the Board of Directors.

8. Recommendation to nominate the Internal Audit Office, evaluate its performance, and reappoint it.

9. Review and approve the audit plans proposed by the Internal Audit Office and make observations on them.

10. Review the results of the internal audit reports, and ensure that the necessary corrective actions have been taken regarding the notes in the reports.

11. Review the results of the reports of the regulatory authorities and ensure that the necessary measures have been taken in this regard.

12. Ensure that the Company adheres to relevant laws, policies, regulations and instructions.

2.3.1.2 Audit Committee meetings during 2019

The Committee met five times during the year 2019 on a quarterly basis, as follows:

Member name	Meeting no. / Meeting date / Position	1 29/01/2019	2 13/03/2019	3 29/04/2019	4 22/07/2019	5 30/10/2019
Anoud Al-Hathran	Committee Chairman	✓	✓	✓	✓	✓
Abdullah Al-Sabah	Committee Member	–	✓	✓	✓	✓
Saad Faraj	Committee Member	✓	✓	✓	✓	✓

2.3.1.3 Achievements of the Audit Committee during 2019

- Discuss financial statements and making recommendations.
- Review the accounting policies with the External Auditor.
- Review and recommend the performance and independence of the External Auditors.
- Review the internal auditor's report and make recommendations.
- Inform and discuss the internal audit plan for the current year.
- Review and discuss the ICR report during the past year.
- Discuss the update of the list of Authority Matrix.
- Recommend to renew the contract with the Internal Auditor.
- Review the most important regulatory and legislative developments.
- Recommend to renew the contract with the Office of Internal Oversight Review.
- Review the performance and independence of the External Auditors.
- Discuss the quality assurance report (QAR).

During 2019, the Audit Committee evaluated the adequacy of the internal control systems applied in the company, and the Committee considered that the applied internal control systems are sufficient to verify the impact of the risks to the Company, and that its financial statements fairly reflect the financial performance of the Company.

2.3.2 Risk Management Committee

The Risk Committee of Tijara & Real Estate Investment Company sets policies and regulations for managing risks in line with the Company's tendency to bear risks.

The Risk Management Committee consists of three members, two of whom are Independent Board Members, and its Chairman is a Non-Executive Board Member.

2.3.2.1 Responsibilities and tasks of the Risk Committee

The responsibilities and tasks of the Risk Management Committee include, but are not limited to:

1. Prepare and review risk management strategies and policies before being approved by the Board of Directors, and ensuring that these strategies and policies are implemented, and that they are commensurate with the nature and size of the Company's activities.

2. Ensure that adequate resources and systems are available for risk management.

3. Evaluate the systems and mechanisms related to identifying, measuring, and following up the different types of risks that the Company may be exposed to, in order to identify its shortcomings.

4. Assist the Board of Directors in identifying and assessing the acceptable level of risk in the Company, and ensuring that the Company does not exceed this level of risk after being approved by the Board of Directors.

5. Review the organizational structure of risk management and making recommendations thereon before it is approved by the Board of Directors.

6. Ensure the independence of the Risk Management Employees from the activities that result in the Company's exposure to risks.

7. Ensure that Risk Management Personnel have a full understanding of the risks surrounding the Company, and working to increase employee awareness and understanding of risk culture.

8. Prepare periodic reports on the nature of the risks to which the Company is exposed, and submitting these reports to the Company's Board of Directors.

9. Review the issues raised by the Risk Audit Committee that may affect the Company's risk management.

2.3.2.2 Number of meetings of the Risk Committee during 2019:

The Risk Committee convenes periodic meetings, at least four times during the year; and whenever needed; and the minutes of meetings are recorded.

The Committee convened four times during 2019, as follows:

Member name	Meeting no. / Meeting date / Position	1 13/03/2019	2 29/04/2019	3 22/07/2019	4 30/10/2019
Saad Faraj	Chairman	✓	✓	✓	✓
Tareq Al-Othman	Member	✓	✓	✓	✓
Anoud Al-Hathran	Member	✓	✓	✓	✓

2.3.2.3 An overview of the Risk Committee's achievements during 2019

- Review the periodic risk report.
- Evaluate the level of risks to assist the Board of Directors in identifying and assessing the acceptable level of risks for the Company.

- Discuss the risk management plan.
- Discuss a related dealings report.
- Evaluate the Internal Control Systems and Mechanisms to identify and monitor the various risks that the Company may face.

2.3.3 Nomination and Remuneration Committee

The availability of professional expertise and technical capabilities as well as good personal and ethical qualities in the person nominated for membership of the Board of Directors or the Executive Management of the Company is one of the main pillars of the financial integrity of the Company and an important element for risks management. Fair financial rewards contribute mainly to attracting human cadres with professional competencies and high technical capabilities, in addition to establishing the principle of belonging to the Company and thus maintaining good cadres, and motivating workers at different job levels of work to achieve and promote the Company's objectives.

The Nomination and Remuneration Committee consists of three members, one of whom is an Independent Board Member, and its Chairman is a Non-Executive Board Member.

2.3.3.1 Nomination and Remuneration Committee Responsibilities and duties:

The duties and responsibilities of the Nomination and Remuneration Committee include but not limited to:

1. Recommendation to accept nomination and re-nomination for membership of the Board of Directors, Board Committees and Executive Management, taking into account that any person who is nominated shall meet the regulatory requirements, taking into consideration the number of attendance times and the quality and effectiveness of members' participation in Board meetings and the performance of their duties and responsibilities.

2. Annual review of the required skills adequate to the membership of the Board of Directors, as well as attracting applications for those wishing to work in executive positions as needed, studying and reviewing these applications.

3. Set job descriptions for Executive, and Non-Executive Members and Independent Members.

4. Proposing to nominate Independent Members and re-nominate them for election by the General Assembly Meeting, and to ensure the non-elimination of the independence status of the Independent Board Member.

5. Set a clear policy for the remuneration of members of the Board of Directors and Senior Executives.

6. Periodically reviewing the remuneration policy, and assessing its effectiveness in achieving the desired objectives of attracting human cadres and preserving employees with professional competence and technical skills necessary to promote the Company.

7. Checking the availability of the appropriate level of training for members of the Board of Directors and Executive Management.

2.3.3.2 Number of meetings held by the Nomination and Remuneration Committee during 2019

The Nomination and Remuneration Committee holds periodic meetings, at least once during the year, as well as whenever necessary, and records the minutes of its meetings. The Committee convened during the year 2019 as follows:

Member name	Meeting no. / Meeting date / Position	1 13/03/2019
Yasmine Al-Sabah	Chairman	✓
Tareq Al-Othman	Member	✓
Saad Faraj	Member	✓

2.3.3.3 An overview of the achievements of the Nomination and Remuneration Committee during 2019:

During 2019, the Nomination and Remuneration Committee made several effective recommendations to support the establishment of the Corporate Governance Framework of the Company, for example but not limited to the following:

- Review the performance evaluation of the members of the Board of Directors, the CEO and the affiliated committees.
- Review and ensure the independence of the Independent Members.
- Discuss the remuneration report.
- Verify that there are no conflicts of interest with the members of the Board of Directors.
- Review the candidacy applications for membership in the Board of Directors and review the declarations of competence and integrity for members of the Board of Directors.

2.4 An overview of how to implement the requirements that allow members of the Board of Directors to obtain information and data accurately and in a timely manner.

In order to secure information flow between the Executive Management and the Board of Directors, the Board of Directors set a policy that regulates the access of the Members of the Board to the financial statements and any reports issued by the Company's departments through submission of evaluation of periodic reports to the Board of Directors on the performance of the Executive Staff. Any member of the Board of Directors may request any information or a report from any department as well as coordination through the BOD Secretary as organized by the aforementioned policy, and this comes through a package of periodic reports that are submitted to the Board of Directors and Committees.

RULE THREE: SELECTION OF QUALIFIED PERSONS FOR MEMBERSHIP IN THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Company has clear mechanisms for selecting members of the Board of Directors and Executive Management, and the Nomination and Remuneration Committee plays a pivotal role in order to ensure the selection of competent people for membership of the Board of Directors and Executive Management.

The Company's efficiency and integrity rules guide represents the minimum requirements that must be fulfilled by the members of the Board of Directors and the Executive Management who are nominated for the Company, and this guide was developed according to the best practices and in line with the requirements of the regulatory authorities; and the Nomination and Remuneration Committee reviews the requirements of the adequate skills for membership in the Board of Directors and Executive Management on an annual basis.

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

In addition to the information mentioned in clause (2.3.3), the Nominations Committee is in line with all the regulatory requirements in terms of formation procedures, meetings and the implementation of the tasks entrusted to it, including (for example but not limited to):

- Preparing annual reports that include the comprehensive remunerations granted to the members of the Board of Directors.
- Reviewing the performance evaluation of the members of the Board of Directors, the Executive Management and The Committees affiliated to the Board of Directors.
- Verify that there are no conflicts of interest with the members of the Board of Directors.
- Ensure the availability of the adequate level of training and introducing the members of the Board of Directors and Executive Management.

3.2 Report of the remunerations granted to members of the Board of Directors and Executive Management.

The remuneration of the members of the Board of Directors for the fiscal year ending on December 31, 2019 is the amount of 30,000 Kuwaiti Dinars (Thirty Thousand Kuwaiti Dinars). The total remunerations of the Executive Staff for the fiscal year ending on December 31, 2019 is the amount of 78,000 Kuwaiti Dinars (Seventy Eight Thousand Kuwaiti Dinars).

RULE FOUR: ENSURING THE INTEGRITY OF FINANCIAL REPORTS

The integrity of the financial statements of the Company is one of the important indicators of the integrity and credibility of the Company in presenting its financial position, thus increasing investor confidence in the data and information provided by the Company and allowing the Shareholders to exercise their rights, therefore the Company has conducted clear mechanisms to ensure the integrity and correctness of its data.

4.1 Written undertakings by both the Board of Directors and the Executive Management of the integrity and correctness of the reports:

- The Executive Management undertakes to the Board of Directors that the financial reports of Tijara & Real Estate Investment Company are presented in a correct and fair manner, and that these data review all the financial aspects of the Company, as it is prepared in accordance with international standards for financial reports approved by the Capital Markets Authority and other regulatory authorities, and that the Executive Management is fully responsible for the accuracy and correctness of these statements.

- Likewise, the Board of Directors of Tijara & Real Estate Investment Company undertakes to present its financial statements in a correct, fair and accurate manner to the Shareholders and Investors.

4.2 An overview of the implementation of the requirements for the formation of the Audit Committee:

In addition to the information mentioned in clause (2.3.1), the Audit Committee is in line with all the regulatory requirements in terms of formation procedures, meetings and the implementation of the tasks entrusted to it, including (but not limited to) the following:

- The committee reviewed the periodic financial statements before submitting them to the Board of Directors, declared its opinion and recommendation to the Board of Directors, in order to ensure the fairness and transparency of the automated reports.

- The Committee has evaluated the adequacy of the internal control systems applied within the Company and prepared reports that include the opinion and recommendations of the Committee in this regard.

- The Committee supervised the Company's Internal Audit Office in order to verify its effectiveness in carrying out the responsibilities and duties specified by the Board of Directors.

- The Committee has reviewed and approved the proposed audit plans from the Internal Auditor.

- The Committee has reviewed the results of the internal audit reports, and ensured that the required corrective measures have been implemented in terms of the remarks stated in the reports.

- The Committee verified the Company’s compliance with the relevant laws, policies, systems and instructions.

- The Committee verified the independence of the Auditors, and reviewed the letters of their appointment.

4.3 During 2019, there have been no cases of conflict of interests between the recommendations of the Audit Committee and the resolutions issued by the Board of Directors.

4.4 Affirmation on the independence and neutrality of the External Auditor.

Tijara & Real Estate Investment Company is following an approved and clear policy in terms of appointment and selection of the External Auditor in order to ensure the independence and neutrality of the External Auditor.

During 2019, the Audit Committee in the Company has verified the independence and neutrality of the Auditor in accordance with the terms stipulated in the Company's internal policies and regulations which are in line with the requirements of the regulatory authorities, including but not limited to:

- Ensuring that the External Auditor is independent from the Company and its Board of Directors, and that the External Auditor is not performing any additional work for the Company that is not included in the review and audit works, which may affect the independence and neutrality.
- Ensuring that the auditors are listed in the specified register at the Capital Markets Authority, so that they fulfill all the requirements mentioned in the resolution issued by the Capital Markets Authority concerning the system of Auditors Listing.
- The Auditor has attended the meetings of the Audit Committee to discuss his opinions with the Audit Committee before submitting the periodic and annual financial statements to the Board of Directors for decision.
- Verifying that the External Auditor was allowed to attend the General Assembly Meetings and recited the report prepared by him on the Shareholders.

RULE FIVE: ESTABLISHING CORRECT SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL

5.1 Brief statement on the implementation of the formation of Risk Management.

The Company has an independent management for risk management in accordance with the organizational structure of the Company, and the Company's risk management measures, monitor and reduce all risk types the Company is exposed to, in accordance with the following (including but not limited to):

- • Establishment of effective systems and procedure for the Company's Risk Management, in order for the Company to be able to perform its main duties represented in measuring and monitoring all types of risks the Company is exposed to, provided that this process is done constantly and reviewed periodically and the systems and procedure are modified if needed.
- • Development of the periodic reports systems, as they are considered key tools in risk monitoring process, and reducing the risk.

Individuals who work in the risk management are independent as they are directly affiliated to the Risk Management Committee which is affiliated to the Company's Board of Directors, in addition, they have significant powers in order to perform their duties completely with no financial powers or authorities.

5.2 Applying the requirements to form a Risk Management Committee:

In addition to what was mentioned in article (2.3.2), the Risk Committee came in line with all the regulatory requirements in terms of formation procedures, meetings and the implementation of the tasks assigned to it. Among its most important tasks:

- Prepare and review risk management strategies and policies and submitting them to the Board for approval.
- Ensure that adequate resources and systems are available for risk management.
- Prepare periodic reports about the nature of the risks to which the Company is exposed.

5.3 Internal Control Systems:

Tijara & Real Estate Investment Company always seeks to develop the principles of internal control and in the context of that we have done the following:

- Detailed identification of powers and responsibilities through policies and procedures and ensuring their circulation among departments to achieve business credibility and achieve efficiency and effectiveness of operational processes.

- Detailed list of powers approved by the Board of Directors, and the Company was keen on that in completely separating the tasks entrusted to each department and ensuring that there are no conflicts of interest.

- It also made sure to cover the internal audit of all departments of the Company during the year 2019 and to follow up what was done to address all the Internal Auditor's observations.

5.4 Brief statement on the implementation of the requirements of forming an Internal Audit Office:

The Company contracted with an independent office for internal auditing, and also provided an Internal Audit Coordinator who enjoys full independence through his technical subordination to the Board of Directors, his appointment and the follow-up of his duties and responsibilities is the responsibility of the Audit Committee. The Company also assigned an independent audit office with the task of evaluating and reviewing the internal control systems and preparing an ICR report.

Provided that he reports the following (including but not limited to):

- Procedures for control and supervision of the efficiency and effectiveness of the internal control systems necessary to protect the Company's assets and the validity of financial statements and the efficiency of its operations in its administrative, financial and accounting aspects.

- Compare the development of risk factors in the Company and the existing systems to assess the efficiency of the Company's daily business, and counter unexpected changes in the market.

- Evaluating the performance of the Executive Management in applying internal control systems.

RULE SIX: ENHANCEMENT OF PROFESSIONAL CONDUCT AND ETHICAL VALUES

Enhancement of the culture of professional conduct and ethical values within the Company is one of the main pillars for performing the Company's business, therefore the Company is significantly concerned with the necessity of verifying the compliance of all employees of the Company, whether members of the Board of Directors, Executive Management or other employees to the Company's internal policies and regulations, and legal and regulatory requirements by reviewing the labor and ethics charter, in addition to reviewing the guide of mechanisms to reduce conflict of interest, based on our conviction that it will lead to achieving the interests of all parties involved in the Company, especially Shareholders, without conflict of interests, with a high degree of transparency.

6.1 An overview of the work charter that includes standards and determinants of professional conduct and ethical values:

Tijara & Real Estate Investment Company has been keen to ensure that the members of its Board of Directors and Employees of its Executive Staff are in compliance with performing their work in the best way that enhances the image of the Company and its endeavor to achieve its goals, the Company has drawn up a business charter that aims to guide and provide members of the Board of Directors with standards of professional conduct and work ethics, avoid cases of conflict of interests, organizing of operations with related parties, and all members of the Board of Directors and employees of the Executive Staff signed an undertaking and declaration of compliance with the labor charter.

6.2 An overview of policies and mechanisms for reducing conflicts of interest:

The Company has a clear policy to reduce conflict of interest cases; approved by the Board of Directors and during 2019 all members of the Board of Directors and the Executive Management signed the annual declaration of compliance with the procedures to reduce conflict of interest.

RULE SEVEN: ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

The Company is aware of the importance of transparency and disclosure, as it is one of the basic features of the methods of monitoring the Company's activities and evaluating its performance, so it has been keen to make an update on its disclosure mechanisms in addition to conducting periodic updates on the disclosures record of members of the Board of Directors and Executive Management.

7.1 An overview of the implementation of the mechanisms of accurate and transparent presentation and disclosure that define the aspects, areas and characteristics of disclosure:

Tijara & Real Estate Investment Company has an approved policy guide, disclosure and transparency mechanisms that includes, but not limited to, the following:

- Methods of disclosure of financial and non-financial information and data related to the financial position of the Company, performance and ownership.
- How to transparently disclose all information and data in a timely manner to all Stakeholders without bias provided that the data and information are accurate, correct and not misleading.
- Categorization of information disclosed in terms of its nature (financial information, non-financial information), or in terms of periodic disclosure in addition to material information.

Moreover, transparency and disclosure policies and procedures have been established according to the best global implementations in accordance with all the requirements of the regulatory authorities.

7.2 An overview of the implementation of the requirements of the Board of Directors and Executive Management's disclosures record

The company has a record for the disclosures of members of the Board of Directors and Executive Management, including all transactions and declarations reflecting the reality of the related parties’ positions, and that record is available for review by all the Shareholders of the Company; without any fee or charge, and the Company updates this record periodically.

7.3 Statement on the implementation of the requirements for forming the Investor Relations Unit

The Company has an Investors Relations Unit, and this unit is responsible for providing the necessary data, information and reports to its potential investors. The unit is appropriately independent (according to the organizational structure approved by the Board of Directors), in a manner that enables it to provide data, information and reports in a timely and accurate manner, through the usual means of disclosure, including, but not limited to, the Company's website.

7.4 An overview of how to develop the IT infrastructure and its reliability for disclosures:

The Company is constantly seeking to create methods and channels to communicate with Shareholders, investors and Stakeholders, and the Company updates its website in order to display all updated information and data that helps Shareholders and current/potential investors to exercise their rights and evaluate the Company’s performance.

RULE EIGHT: RESPECTING THE SHAREHOLDERS’ RIGHTS

The Corporate Governance Framework of the Company ensures that Shareholders exercise their basic rights in a fair and equal manner that guarantees equal treatment for all Shareholders. This is clearly stated in the Company's articles of association and internal regulations in addition to updating the participation mechanisms in the Shareholders' General Assembly Meetings to ensure that all Shareholders are encouraged to participate and vote in those meetings.

8.1 An overview of the requirements for defining and protecting the general rights of Shareholders to ensure fairness and equality among all Shareholders

The Company's articles of association and internal regulations clearly include the procedures and controls necessary to ensure that all Shareholders exercise their rights in a manner that ensures fairness and equality, and in a manner that does not conflict with applicable laws and regulations, and decisions and instructions issued in this regard.

8.2 An overview of establishing a special record maintained with the clearing agency:

The Company maintains a special record kept with The Clearing Agency, in which the names of the Shareholders, their nationalities, their place of residence and the number of shares owned by each of them are recorded, and any changes in the data registered in that record are registered in the Shareholders record according to the information received by the Company or the clearing agency.

8.3 An overview of how to encourage Shareholders to participate and vote in the Company's meetings:

The Company has policies and procedures approved by the Board of Directors that are in line with all the regulatory requirements, which include in detail the mechanism of participation in the General Assembly Meeting of Shareholders and the procedures for meeting convention in a manner that guarantees the following: -

- To allow the Shareholders to participate effectively in the meetings of the General Assembly Meeting and discuss the topics listed in the agenda and any inquiries related to the various aspects of the activity, and to ask questions about them to the members of the Board of Directors and the External Auditor; and the Board of Directors or the External Auditor should answer the questions to the extent that hold the Company's interests harmless.

- To enable the Shareholders who own five percent of the Company's capital to add items to the agenda of the General Assembly Meetings.

- To allow the Shareholders to review all the data mentioned in the record of disclosures of members of the Board of Directors and members of the Executive Management.

- The topics presented to the General Assembly Meeting shall be accompanied by sufficient information to enable the Shareholders to take their decisions properly.

With regard to voting mechanisms, the Company has mechanisms approved by the Board of Directors that are in line with all the regulatory requirements to ensure that all Shareholders have the opportunity to exercise the right to vote without difficulties that lead to prohibiting voting, as voting is an inherent right of the Shareholder and cannot be eliminated in any way.

RULE NINE: UNDERSTANDING THE ROLE OF STAKEHOLDERS

The Company believes that Stakeholder contributions constitute a very important resource to build its competitiveness and support its levels of profitability, therefore the Company supports all means of cooperation with Stakeholders: in addition to having an approved policy that guarantees protection and recognition of the Stakeholders' rights and encourages them to follow up on the Company's various activities.

9.1 An overview of the systems and policies that ensure protection and recognition of the Stakeholders' rights:

Tijara Company undertakes to protect the rights of Stakeholders and create opportunities for operation and continuity through correct financial projects. This is part of the policy to ensure that the Company respects and protects the Stakeholders' rights stipulated in the laws in force in the State of Kuwait, which provides Stakeholders with the opportunity to obtain actual compensation in case of violating any of their rights; the policy defined Stakeholders as Shareholders, regulatory authorities, customers, employees and related parties .

The Company is keen to address all the rights of the Stakeholders in fairly and equally, and the Company's dealings guarantee the fair treatment without any discrimination with members of the Board of Directors, related parties and Stakeholders, the Company also guarantees the adequate compensation to the Stakeholders in case of violation of their rights mentioned in the official contracts concluded with them or the rights generally approved by the regulations.

9.2 An overview of how to encourage Stakeholders to participate in following up the Company's activities:

Within the framework of encouraging the Stakeholders to participate in following up the Company's business and updates, the Company provides the Stakeholders, when needed, with any data related to their activities to rely on.

The Company also established a reporting policy that allows Stakeholders to communicate their complaints to the Board of Directors, which in turn ensures that Stakeholders are not subjected to any inconveniences.

RULE TEN: ENHANCING AND IMPROVING PERFORMANCE

In order to improve the performance of the Board and enhance its decisions, the Company has evaluated the performance of the Board, Members of the Board and members of the Executive Management by an individual questionnaire for members, according to the best global practices for analyzing questionnaires and highlighting paths during the year to develop and improve the performance of the Board.

10.1 An overview of the implementation of requirements for setting mechanisms that allow both members of the Board of Directors and the Executive Management to obtain continuous training programs and courses:

The Company follows mechanisms that allow focusing on the training aspects for the members of the Board of Directors and the Executive Management by setting out introductory programs for newly appointed members in addition to having plans for training programs in a manner that helps in performing their duties.

10.2 An overview of how to assess the performance of the Board of Directors as a whole and the performance of each member of the Board of Directors and Executive Management:

The Company has a clear policy approved by the Board of Directors in terms of performance evaluation, including objective performance indicators clearly and in writing; during the year 2019 an evaluation was made for all members of the Board of Directors and the Executive Management in addition to the Board of Directors as a whole and those evaluations were reviewed by the Nomination and Remuneration Committee.

10.3 An overview of the efforts made by the Board of Directors for value creation for the Company's employees through the achievement of the strategic objectives and enhancing performance:

The Board of Directors is working on the value creation in the Company in the short, mid and long terms by setting mechanisms and procedure to achieve the Company's strategic objectives and enhancing the performance which will contribute effectively in the creation of institutional values for employees and motivate them towards constant work to maintain the Company's financial integrity.

The Company is also working on the consecutive development for the internal applicable comprehensive reports systems in order to be more embodying. This will help the members of the Board of Directors and the Executive Management to make decisions in a methodical and correct manner, and thus achieving the Shareholders' interests.

RULE ELEVEN: IMPORTANCE OF SOCIAL RESPONSIBILITY

11.1 An overview of a policy that ensures the balance between the objectives of both Company and Community:

The Company believes of its responsibilities towards the society and is committed to participate in the development of the community as possible, through working on attracting the national employment and enhancing the living conditions for manpower and their families and allocating a portion of the Company's profits for social services and projects.

11.2 An overview of the programs and mechanisms that helps highlighting the efforts made in the field of social work:

The social responsibility includes the Company's employees and the community, as well as focusing on the fair treatment in terms of appointment and the responsibility related to health and safety due to the nature of the Company in addition to maintaining the environment. For example, the Company has conducted a training and awareness program to train the students as the Company believes that the real investment is the investment in humans, in particular the youth. In addition, the Company cooperated with the Kuwait Society of Engineers with the support of the students of College of Engineering in Kuwait, as well as participating in the project of developing the roads system in the Capital out of the Company's faith of its role in the local development.

Audit Committee Reports

For financial year ended on 31 December 2019 Introduction

Formation of Audit Committee:

1. Anoud Fadhel Al-Hathran	Committee Chairman
2. Saad Naser Faraj	Member
3. Abdullah Ali Al-Khalifa Al-Sabah	Member

Committee meetings and achievements:

During the year 2019, The Committee held 5 meetings, the most important of achievements were the following:

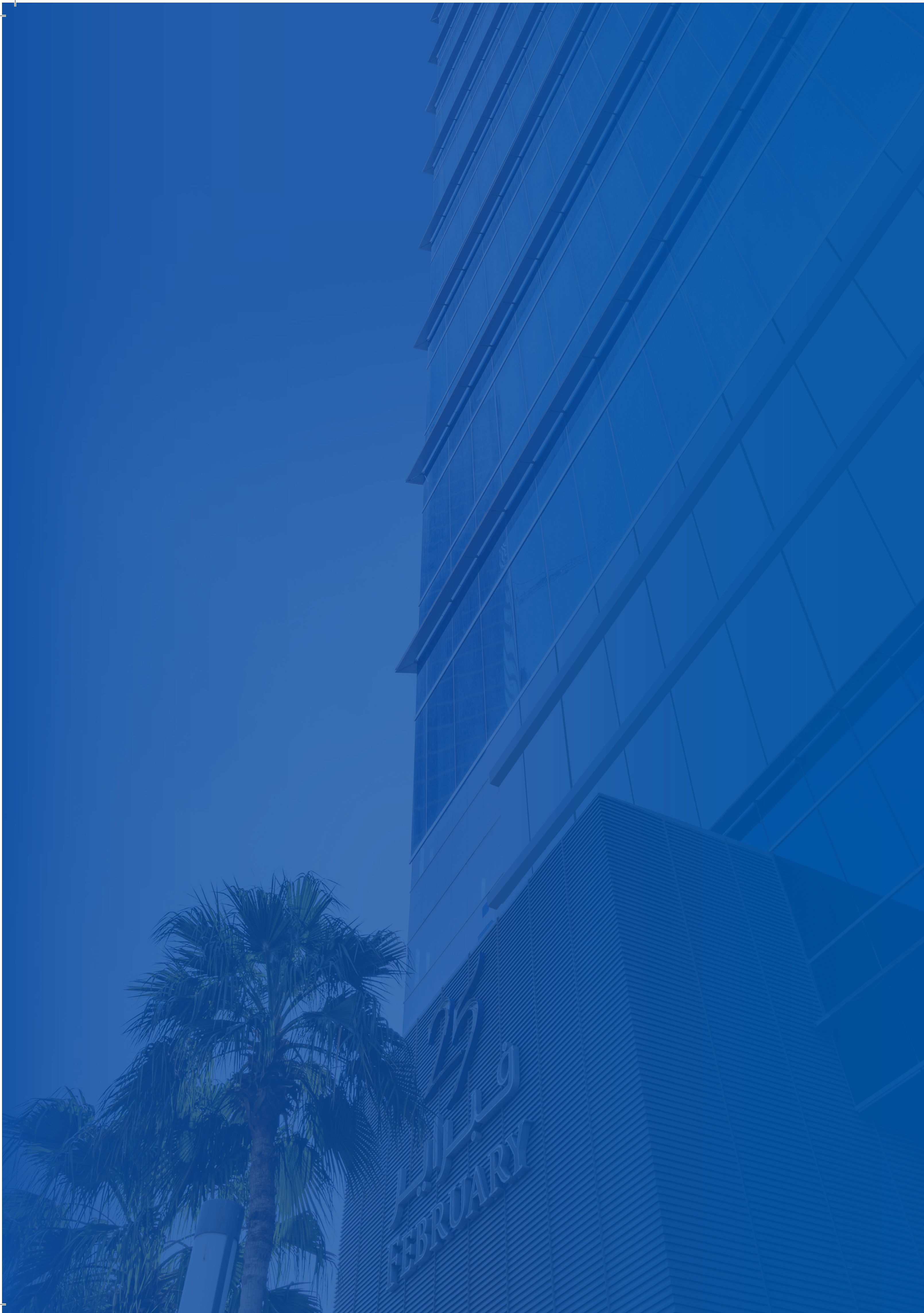
- Discuss financial statements and make recommendations.
- Recommendation to renew the contract with the Internal Auditor and the Office of Internal Control Review.
- Review and discuss the ICR report during the past year.
- Discuss the update of the list of Authority Matrix.
- Review the accounting policies with the External Auditor.
- Discuss the Quality Assurance Report (QAR).
- Review the Internal Auditor's report and make recommendations.
- Review and recommend the performance and independence of the External Auditors.
- Review and discuss the Internal Audit plan for the current year.
- Review the most important regulatory and legislative updates.

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

Through the follow-up and supervising of the Committee in 2019 on the internal audit work based on risk assessment, the Committee believes that the Company has an adequate and effective control environment, as during the year no substantial gaps were inferred, nor was any evidence of any significant failure in applying internal control systems.

The Committee also noted the eagerness of the executive members to implement internal control mechanisms and systems to ensure the protection of the Company's assets and ensure the correctness of the financial data in addition to the efficient functioning of the Company's operational processes and the efficiency of its financial and administrative aspects.

Anoud Fadhel Al-Hathran	**Saad Naser Faraj**	**Abdullah Al-Khalifa Al-Sabah**
Committee Chairman	Member	Member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FEBRUARY

Date: 23/6/1441 AH
Corresponding to: 17/2/2020

Report of **Sharia Audit**

For the Financial Period 1/1/2019-31/12/2019

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 1/1/2019-31/12/2019 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 Auditing 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.

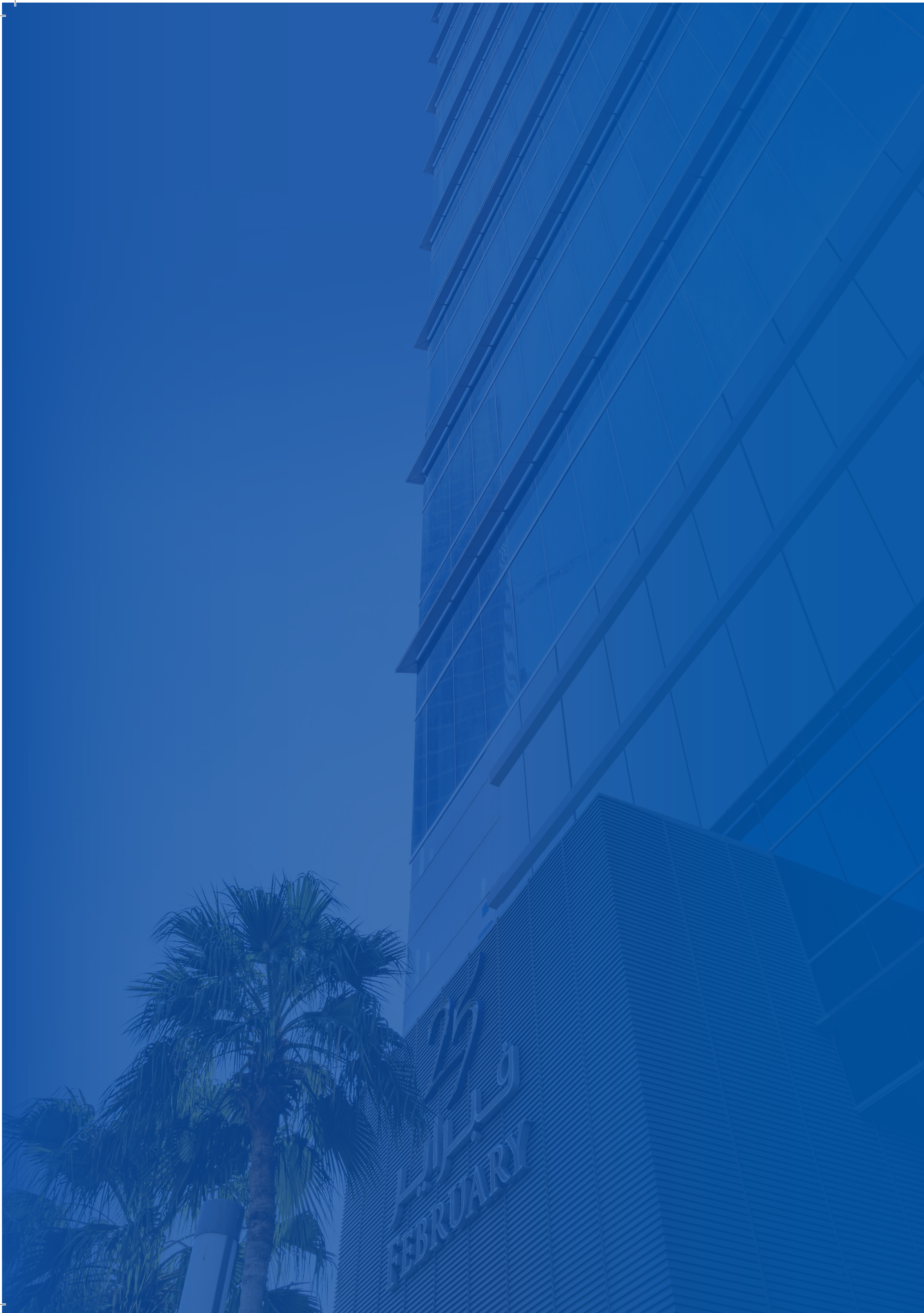
Fourth: Final Opinion:

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

1. Contracts, processes and transactions made by the Company during the period 1/1/2019 till 31/12/2019, 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. Essa Zaki Essa	Dr. Ali Ibrahim Alrashid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EY
Building a better working world

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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 2019, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, 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.

Building a better working world

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 2019 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 2019. 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 8 to the consolidated financial statements.

Other information included in the Group's 2019 Annual report
Management is responsible for the other information. Other information consists of the information included in the Group's 2019 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 2019, that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENSE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

12 February 2020
Kuwait

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

Consolidated statement of income

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Rental income		**4,163,999**	4,186,580
Other services and operating income		**23,258**	25,183
Property operating expenses		**(257,704)**	(209,331)
Realized gain on sale of investment property		**105,000**	-
Change in fair value of investment properties	8	**730,152**	56,477
Net profit on investment properties		**4,764,705**	4,058,909
Sale of inventory properties		**1,693,852**	27,041
Cost of sales	6	**(1,647,255)**	(43,321)
Gain (loss) on sale of inventory properties		**46,597**	(16,280)
Impairment loss on inventory properties	6	-	(143,123)
Net gain (loss) on inventory properties		**46,597**	(159,403)
Share of results of an associate	7	**25,478**	(185,181)
Net investment gain (loss)		**25,478**	(185,181)
Administrative expenses		**(1,142,595)**	(918,573)
Foreign exchange (loss) gain		**(11,482)**	88,753
Other income		**13,284**	5,395
Operating profit		**3,695,987**	2,889,900
Finance costs		**(1,663,154)**	(1,766,459)
Provision for expected credit losses		**(508,211)**	(91,776)
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		**1,524,622**	1,031,665
KFAS		**(13,722)**	(9,285)
NLST		**(53,119)**	(28,569)
Zakat		**(21,248)**	(9,996)
Board of directors' remuneration		**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**1,406,533**	953,815
BASIC AND DILUTED EARNINGS PER SHARE	4	**3.80 fils**	2.58 fils

The attached notes 1 to 19 form part of these consolidated financial statement

Consolidated statement of comprehensive-income

For the year ended 31 December 2019

	Note	2019 KD	2018 KD
PROFIT FOR THE YEAR		**1,406,533**	953,815
Other comprehensive (loss) income:			
Item that are (or) may be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments of foreign operations		**(6,978)**	27,910
Foreign currency translation adjustments of an associate	7	**(19,471)**	24,805
Other comprehensive (loss) income for the year		**(26,449)**	52,715
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,380,084**	1,006,530

Consolidated statement of financial position

As at 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Bank balances and cash		**3,142,357**	1,229,252
Accounts receivable and prepayments	5	**1,353,732**	1,667,601
Inventory properties	6	**608,732**	2,255,987
Investment in an associate	7	**8,310,925**	6,278,732
Investment properties	8	**60,396,066**	60,179,738
Property and equipment		**23,474**	26,727
TOTAL ASSETS		**73,835,286**	71,638,037
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	9	**820,149**	801,842
Islamic financing payables	10	**32,740,068**	31,289,925
Employees' end of service benefits		**872,451**	783,736
TOTAL LIABILITIES		**34,432,668**	32,875,503
EQUITY			
Share capital	12	**37,000,000**	37,000,000
Statutory reserve	12	**413,180**	260,718
General reserve	12	**413,180**	260,718
Share options reserve		**142,253**	142,253
Foreign currency translation reserve		**233,808**	260,257
Treasury shares reserve		**18,132**	18,132
Retained earnings		**1,182,065**	820,456
TOTAL EQUITY		**39,402,618**	38,762,534
TOTAL LIABILITIES AND EQUITY		**73,835,286**	71,638,037

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

Tareq Fareed Al Othman
Vice Chairman and Executive President

The attached notes 1 to 19 form part of these consolidated financial statement

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Retained earnings KD	Total KD
At 1 January 2019	37,000,000	260,718	260,718	142,253	260,257	18,132	820,456	38,762,534
Profit for the year	-	-	-	-	-	-	1,406,533	1,406,533
Other comprehensive loss for the year	-	-	-	-	(26,449)	-	-	(26,449)
Total comprehensive (loss) income for the year	-	-	-	-	(26,449)	-	1,406,533	1,380,084
Transfer to reserves	-	152,462	152,462	-	-	-	(304,924)	-
Distribution of dividends (Note 12)	-	-	-	-	-	-	(740,000)	(740,000)
At 31 December 2019	**37,000,000**	**413,180**	**413,180**	**142,253**	**233,808**	**18,132**	**1,182,065**	**39,402,618**
At 1 January 2018	37,000,000	157,551	157,551	142,253	207,542	18,132	1,182,975	38,866,004
Profit for the year	-	-	-	-	-	-	953,815	953,815
Other comprehensive income for the year	-	-	-	-	52,715	-	-	52,715
Total comprehensive income for the year	-	-	-	-	52,715	-	953,815	1,006,530
Transfer to reserves	-	103,167	103,167	-	-	-	(206,334)	-
Distribution of dividends (Note 12)	-	-	-	-	-	-	(1,110,000)	(1,110,000)
At 31 December 2018	37,000,000	260,718	260,718	142,253	260,257	18,132	820,456	38,762,534

The attached notes 1 to 19 form part of these consolidated financial statement

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		**1,524,622**	1,031,665
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Depreciation		**11,013**	13,971
Provision for employees' end of service benefits		**165,313**	110,897
Realised (gain) loss on sale of inventory properties	6	**(46,597)**	16,280
Impairment loss on inventory properties	6	**-**	143,123
Realized gain on sale of investment properties	8	**(105,000)**	-
Share of results of an associate	7	**(25,478)**	185,181
Change in fair value of investment properties	8	**(730,152)**	(56,477)
Finance costs		**1,663,154**	1,766,459
Provision for expected credit losses		**508,211**	91,776
Foreign exchange loss (gain)		**11,482**	(88,753)
		2,976,568	3,214,122
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**(195,038)**	(322,502)
Inventory properties	6	**1,693,852**	27,041
Accounts payable and accruals		**(81,264)**	(4,618)
Cash flows from operations		**4,394,118**	2,914,043
Employees' end of service benefits paid		**(76,598)**	(143,791)
Board of directors' remuneration paid		**(30,000)**	(30,000)
Net cash flows from operating activities		**4,287,520**	2,740,252
INVESTING ACTIVITIES			
Additions to investment in an associate		**(2,026,186)**	(315,452)
Additions to investment properties	8	**(50,000)**	(2,323,000)
Disposal of investment property	8	**655,000**	-
Additions to property and equipment		**(7,760)**	(27,206)
Net cash flows used in investing activities		**(1,428,946)**	(2,665,658)
FINANCING ACTIVITIES			
Proceeds from Islamic financing payables		**17,915,300**	8,837,176
Repayment of Islamic financing payables		**(16,082,591)**	(6,628,837)
Finance costs paid		**(2,042,798)**	(1,880,831)
Dividends paid		**(728,311)**	(1,067,448)
Net cash flows used in financing activities		**(938,400)**	(739,940)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**1,920,174**	(665,346)
Net foreign exchange difference		**(7,069)**	73,736
Bank balances and cash at 1 January		**1,229,252**	1,820,862
BANK BALANCES AND CASH AT 31 DECEMBER		**3,142,357**	1,229,252

The attached notes 1 to 19 form part of these consolidated financial statement

Notes to the consolidated financial statements

As at and for the year ended 31 December 2019

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 2019 were authorised for issue in accordance with a resolution of the board of directors on 12 February 2020. 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 2018 were approved by the shareholders of the Parent Company in the annual general assembly meeting held on 9 May 2019.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPERATION

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified for investment properties carried at fair value.
The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the adoption of IFRS 16: Leases effective from 1 January 2019.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 is summarised below:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16: Leases ("IFRS 16")

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has not restated comparative information for year ended 31 December 2018 as permitted by the transitional provisions of the standard. Therefore, the information presented for 31 December 2018 does not reflect the requirements of IFRS 16 and is not comparable to the information presented for 31 December 2019.

The adoption of IFRS 16 did not result in any material change in accounting policies of the Group and does not have any material effect on the Group's consolidated financial statements

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 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

The new and amended standards and interpretations that are issued, but not yet effective up to the date of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new standards and amended standards and interpretations when they become effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3: Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 3: Definition of a Business (continued)

process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2.4 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 2019.

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 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 comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)

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 income. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value. It also reclassifies any share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Details of the subsidiaries included in the consolidated financial statements set out below:

Name of company	Equity interest		Country of incorporation	Activities
	2019	2018		
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 that the Parent Company is the beneficial owner.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquired. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the consolidated financial statements

As at and for the year ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in consolidated statement of income or as a change to consolidated other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Gain on sale of inventory properties and investment properties

Gain on sale of inventory properties and investment properties is recognised when the control of properties are transferred to the buyer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those properties.

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.

LEASES

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, 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, 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. 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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, accounts receivable and prepayments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets at amortised cost (debt instruments) (continued)

- 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 Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of income when the asset is derecognised, modified or impaired.

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 contractual rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its contractual rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) 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 integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the consolidated financial statements

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial instruments – Initial recognition, subsequent measurement and derecognition (continued)
(i) Financial assets (continued)
Impairment of financial assets(continued)

For accounts receivable and 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. 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 90 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

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. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of borrowings, plus directly attributable transactions costs. The Group's financial liabilities include accounts payable and accruals and Islamic financing payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable and accruals

Accounts payable and accruals are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Islamic financing payables

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Financial liabilities (continued)

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

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

Inventory properties are measured initially at cost. Subsequent to initial recognition, inventory properties are carried at the lower of cost or net realizable value determined on an individual basis.

Cost comprises the purchase cost of the property and other costs incurred in association with the construction or development of property to bring it to the condition necessary to make the sale.

Net realisable value is the estimated selling price in the ordinary course of the business, less costs to completion and the estimated costs necessary to make the sale.

Investment in an associate

The Group's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

The Group's share of profit of an associate is shown on the face of the consolidated statement of income and represents profit after 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 associates. 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 income.

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 income.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. 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 income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

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. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives for furniture, fixtures and equipment of 3-4 years.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

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.

Notes to the consolidated financial statements

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 income 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 amount is reclassified to consolidated statement of income.

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.

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 income 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 income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other 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 Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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 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,

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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 18.

3. 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 disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

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

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.

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognised.

Classification of real estate properties

Management of the Group decides on acquisition of a developed and under development property whether

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)
Judgements (continued)
Classification of real estate properties (continued)

it should be classified as inventory, investment property or property and equipment.

The Group classifies property as inventory property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies property as property and equipment when it is acquired for owner occupation.

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 discussed below:

Impairment of financial assets at amortised cost
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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.

	2019	2018
Profit for the year (KD)	**1,406,533**	953,815
Weighted average number of shares outstanding during the year (excluding treasury shares)	**370,000,000**	370,000,000
Basic and diluted earnings per share	**3.80 fils**	2.58 fils

5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 KD	2018 KD
Rent receivables	**1,018,855**	847,459
Provision for expected credit losses	**(299,987)**	(91,776)
Net rent receivables	**718,868**	755,683
Receivable from property developer* (Note 6)	**743,608**	744,221
Provision for expected credit losses	**(300,000)**	-
Net receivable from property developer	**443,608**	744,221
Prepaid expenses	**19,266**	22,338
Staff receivables	**28,698**	33,161
Other receivables	**143,292**	112,198
	1,353,732	1,667,601

As at 31 December 2019, rent receivables at nominal value of KD 299,987 (31 December 2018: KD 91,776) were impaired and fully provided for.

*During the prior year, the Group has reclassified certain inventory property amounting to KD 744,221 (AED: 9,011,360) to "Receivable from property developer" to exchange the previously acquired property with another property. During the year ended 31 December 2019, the Group has recorded a provision for expected credit losses amounting to KD 300,000 in the consolidated statement of income against receivable from property developer.

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

	2019 KD	2018 KD
At 1 January	**91,776**	-
Charge for the year	**508,211**	91,776
At 31 December	**599,987**	91,776

6. INVENTORY PROPERTIES

	2019 KD	2018 KD
At 1 January	**2,255,987**	3,115,869
Disposals*	**(1,647,255)**	(43,321)
Reclassified to advance payment (Note 5)	-	(673,438)
Impairment loss on inventory properties	-	(143,123)
At 31 December	**608,732**	2,255,987

*During the year ended 31 December 2019, the Group sold certain inventory properties with a carrying value of KD 1,647,255 (2018: KD 43,321) for a total consideration of KD 1,693,852 (2018: KD 27,041) resulting in a realised gain on disposal of KD 46,597 (2018: loss on disposal of KD 16,280).

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

The Group has the following investment in an associate:

Name of company	Country of incorporation	Equity interest as at 31 December 2019 %	2018 %	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

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

	2019 KD	2018 KD
At 1 January	**6,278,732**	6,123,656
Additions to investment in an associate	**2,026,186**	315,452
Share of result	**25,478**	(185,181)
Foreign currency translation adjustments	**(19,471)**	24,805
At 31 December	**8,310,925**	6,278,732

Summarised financial information of the Group's investment in an associate at 31 December is as follows:

	2019 KD	2018 KD
Current assets	**1,114,797**	864,274
Non-current assets	**34,471,485**	34,474,645
Current liabilities	**(912,405)**	(923,731)
Non-current liabilities	**(45,020)**	(8,253,804)
Equity	**34,628,857**	26,161,384
Proportion of the Group's ownership	**24%**	24%
Group's share in the equity	**8,310,925**	6,278,732

Notes to the consolidated financial statements

As at and for the year ended 31 December 2019

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Summarised statement of income for associate is as follows:

	2019 KD	2018 KD
Rental income	**1,790,771**	1,216,303
Property operating expenses	**(1,145,401)**	(982,293)
Staff costs	**(161,726)**	(138,270)
Administrative expenses	**(172,467)**	(337,723)
Finance cost	**(203,466)**	(491,139)
Change in fair value of investment property	**(1,552)**	48,198
Profit (loss) for the year	**106,159**	(684,924)
Adjustment to the carrying value of investment in an associate*	-	(86,664)
	106,159	(771,588)
Proportion of the Group's ownership	**24%**	24%
Group's share of profit (loss)	**25,478**	(185,181)

* Represents adjustment to the carrying value of investment property in the books of the associate to be in line with the Group's policy.

8. INVESTMENT PROPERTIES

	2019 KD	2018 KD
At 1 January	**60,179,738**	57,733,468
Additions	**50,000**	2,323,000
Disposal*	**(550,000)**	-
Change in fair value of investment properties	**730,152**	56,477
Net foreign exchange gain (loss)	**(13,824)**	66,793
At 31 December	**60,396,066**	60,179,738

*During the year ended 31 December 2019, the Group sold certain investment properties with a carrying value of KD 550,000 for a total consideration of KD 655,000 resulting in a realised gain on disposal of KD 105,000.

As at 31 December 2019, investment properties of KD 4,160,000 (2018: KD 24,637,547) are held in the name of a third party under Ijara agreement (Note 10).

8 INVESTMENT PROPERTIES (continued)

As at 31 December 2019, certain investment properties amounting to KD 31,850,000 (2018: KD 18,713,000) are pledged as a security against Murabaha agreement of KD 25,000,000 (2018: KD 7,524,700) (Note 10).

The fair value of the investment properties amounting to KD 60,396,066 (31 December 2018: KD 60,179,738) 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. For foreign properties the valuation has been performed by a reputable accredited valuer who has valued these properties using the income capitalization approach.

As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations. Based on these valuations, the Group has recorded a fair value gain of KD 730,152 (2018: KD 56,477) in the consolidated statement of income.

The significant assumptions used in the valuations are set out below:

2019	Kuwait	GCC
Estimated market price for the land (per sqm) (KD)	**1,808**	**658**
Construction costs (per sqm) (KD)	**413**	**468**
Average monthly rent (per sqm) (KD)	**9**	**6**
Yield rate	**9%**	**8%**
Vacancy rate	**11.7%**	**37.8%**

2018	Kuwait	GCC
Estimated market price for the land (per sqm) (KD)	1,708	668
Construction costs (per sqm) (KD)	409	264
Average monthly rent (per sqm) (KD)	9	4
Yield rate	9%	8%
Vacancy rate	15%	23%

Sensitivity analysis

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

2019	Changes in valuation assumptions	Kuwait KD	GCC KD
Estimated market price for the land	**5%**	**1,432,400**	**359,190**
Average rent	**5%**	**2,144,500**	**810,025**
Yield rate	**5%**	**2,042,381**	**771,453**
Vacancy rate	**5%**	**2,144,500**	**810,025**

Notes to the consolidated financial statements

As at and for the year ended 31 December 2019

8 INVESTMENT PROPERTIES (continued)

Sensitivity analysis (continued)

2018	Changes in valuation assumptions	Kuwait KD	GCC KD
Estimated market price for the land	5%	1,395,900	438,064
Average rent	5%	2,107,375	835,506
Yield rate	5%	2,007,024	795,720
Vacancy rate	5%	2,107,375	835,506

9. ACCOUNTS PAYABLE AND ACCRUALS

	2019 KD	2018 KD
Advances from tenants	**145,219**	175,011
Refundable deposits	**250,791**	241,084
Other payables	**424,139**	385,747
	820,149	801,842

10. ISLAMIC FINANCING PAYABLES

2019	Ijara KD	Tawaruq KD	Murabaha KD	Total KD
Gross amount	**4,045,035**	**4,988,808**	**33,272,492**	**42,306,335**
Less: deferred profit	**(946,423)**	**(304,039)**	**(8,315,805)**	**(9,566,267)**
	3,098,612	**4,684,769**	**24,956,687**	**32,740,068**

2018	Ijara KD	Tawaruq KD	Murabaha KD	Total KD
Gross amount	20,079,458	5,724,993	9,386,338	35,190,789
Less: deferred profit	(1,406,127)	(616,147)	(1,878,590)	(3,900,864)
	18,673,331	5,108,846	7,507,748	31,289,925

Islamic finance payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.5% to 3.25 % (2018: 1.875% to 3.25%) per annum over Central Bank of Kuwait discount rate. Islamic financing payables are mainly due within range of 1 to 9 years from the reporting date.

As at 31 December 2019, Ijara payable of KD 3,095,644 (2018: KD 17,550,000) are secured by the investment properties of KD 4,160,000 (31 December 2018: KD 24,637,547) (Note 8).

As at 31 December 2019, Murabaha payable of KD 25,000,000 (2018: KD 7,524,700) are secured by the investment properties of KD 31,850,000 (2018: KD 18,713,000) (Note 8).

Notes to the consolidated financial statements

As at and for the year ended 31 December 2019

11. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2019 KD	Cash Flows –in/(out) KD	Other – in/(out) KD	31 December 2019 KD
Ijara payable	**18,673,331**	**(16,020,124)**	**445,405**	**3,098,612**
Tawarruq payable	**5,108,846**	**(700,857)**	**276,780**	**4,684,769**
Murabaha payable	**7,507,748**	**16,510,892**	**938,047**	**24,956,687**
	31,289,925	**(210,089)**	**1,660,232**	**32,740,068**

	1 January 2019 KD	Cash Flows –in/(out) KD	Other – in/(out) KD	31 December 2019 KD
Ijara payable	18,702,659	(1,083,742)	1,054,414	18,673,331
Tawarruq payable	5,285,365	(554,028)	377,509	5,108,846
Murabaha payable	5,184,077	1,965,278	358,393	7,507,748
	29,172,101	327,508	1,790,316	31,289,925

12. SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES

a) Share capital and general assembly meeting

The authorised, issued and fully paid up share capital at 31 December 2019, comprises 370,000,000 shares (2018: 370,000,000 shares) of 100 fils (2018: 100 fils) each paid up in cash.

The Annual General Assembly of the shareholders of the Parent Company held on 9 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and the distribution of cash dividends of 2 fils (2017: 3 fils) per share of KD 740,000 (2017: KD 1,110,000) for shareholders registered on that date.

In addition, the Annual General Assembly of the shareholders of the Parent Company approved the payment of Board of directors' remuneration amounting to KD 30,000 for the year ended 31 December 2018 (2017: KD 30,000).

The proposed cash dividends on ordinary shares for the year ended 31 December 2019 is 3 fils per share of KD 1,110,000 (2018: 2 fils per share of KD 740,000) are subject to the approval of the annual general meeting (AGM) and are not recognised as a liability as at 31 December.

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,

SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES (continued)

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.

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.

13. 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.

There were no significant transactions with related parties during the financial years ended 31 December 2019 and 31 December 2018.

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:

	2019 **KD**	2018 **KD**
Salaries and short-term benefits	**289,950**	249,200
Employees' end of service benefits	**125,739**	48,421
	415,689	297,621

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 30,000 for the year ended 31 December 2019 (2018: 30,000). This proposal is subject to the approval of the shareholder at the AGM of the Parent Company.

14. 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.

15. 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 2019	Real Estate Activities KD	Investment Activities KD	Others KD	Total KD
Segment revenue	4,187,257	-	-	4,187,257
Segment results	1,123,804	-	-	1,123,804
Change in fair value of investment properties	730,152	-	-	730,152
Realised gain on sale of inventory properties	46,597	-	-	46,597
Realized gain on sale of investment property	105,000	-	-	105,000
Impairment loss on inventory properties	-	-	-	-
Share of results of an associate	-	25,478	-	25,478
Other income	-	-	13,284	13,284
Provision for expected credit losses	(508,211)	-	-	(508,211)
Unallocated expenses - net	-	-	(129,571)	(129,571)
Segment profit (loss)	1,497,342	25,478	(116,287)	1,406,533
Segment assets	65,500,887	8,310,925	23,474	73,835,286
Segment liabilities	33,560,217	-	872,451	34,432,668

15 SEGMENT INFORMATION (continued)

31 December 2018	Real Estate Activities KD	Investment Activities KD	Others KD	Total KD
Segment revenue	4,211,763	-	-	4,211,763
Segment results	1,317,400	-	-	1,317,400
Change in fair value of investment properties	56,477	-	-	56,477
Realised loss on sale of inventory properties	(16,280)	-	-	(16,280)
Impairment loss on inventory properties	(143,123)	-	-	(143,123)
Share of results of an associate	-	(185,181)	-	(185,181)
Other income	-	-	5,395	5,395
Provision for expected credit losses	(91,776)	-	-	(91,776)
Unallocated expenses - net	-	-	10,903	10,903
Segment profit (loss)	1,122,698	(185,181)	16,298	953,815
Segment assets	65,332,578	6,278,732	26,727	71,638,037
Segment liabilities	32,091,767	-	783,736	32,875,503

16. RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk.

Risk management structure

The Board of Directors of the Parent Company is ultimately responsible for identifying and controlling risks and for the overall risk management approach and for approving the risk strategies and principles.

Executive management

The Executive management of the Group formulates the risk management policies of the Group and makes recommendations to the Board of Directors.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

16 RISK MANAGEMENT (continued)

With respect to credit risk arising from the other financial assets of the Group, including bank balances and accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. With respect to accounts receivables, the Group minimises concentrations of credit risk by undertaking transactions with a large number of tenants. In addition, accounts receivable balances are monitored on an ongoing basis.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	Gross Maximum Exposure 2019 KD	Gross Maximum Exposure 2018 KD
Cash and bank balances (excluding cash on hand)	**3,140,178**	1,225,883
Accounts receivable (excluding prepayments and advances)	**890,857**	901,042
	…………	…………
Total credit risk exposure	**4,031,035**	2,126,925
	…………	…………

Risk concentrations of the maximum exposure to credit risk

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:

2019	**Banking And Financial Services KD**	**Construction And Real Estate KD**	**Other KD**	**Total KD**
Kuwait	**2,892,668**	**292,142**	**46,673**	**3,231,483**
Other GCC	**247,510**	**506,170**	**45,872**	**799,552**
	…………	…………	…………	…………
	3,140,178	**798,312**	**92,545**	**4,031,035**
	…………	…………	…………	…………

2018	Banking And Financial Services KD	Construction And Real Estate KD	Other KD	Total KD
Kuwait	1,176,058	247,138	49,936	1,473,132
Other GCC	49,825	576,712	27,256	653,793
	…………	…………	…………	…………
	1,225,883	823,850	77,192	2,126,925
	…………	…………	…………	…………

16 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Liquidity risk and funding management

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Analysis of financial liabilities by remaining contractual maturities

The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profiles of the financial liabilities at the year-end are based on contractual undiscounted repayment arrangement or on management's estimate of planned exit dates.

The maturity profile of the undiscounted financial liabilities at 31 December was as follows:

31 December 2019	**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)	-	-	**674,930**	-	-	**674,930**
Islamic financing payables	**548,767**	**644,372**	**783,360**	**7,262,960**	**33,066,876**	**42,306,335**
TOTAL LIABILITIES	**548,767**	**644,372**	**1,458,290**	**7,262,960**	**33,066,876**	**42,981,265**

31 December 2018	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)	-	-	626,831	-	-	626,831
Islamic financing payables	880,882	491,106	408,961	8,187,364	25,222,476	35,190,789
TOTAL LIABILITIES	880,882	491,106	1,035,792	8,187,364	25,222,476	35,817,620

16 RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as profit rates and foreign exchange rates, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

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 Ijara agreements (Note 10). Other than this the Group is not exposed to any other significant profit risk.

The following table demonstrates the sensitivity of the consolidated statement of income 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
2019	**+/-1%**	**327,772**
2018	+/-1%	309,472

b) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the treasury department of the Parent Company on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on profit (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

	2019		2018	
Currency	**Change in exchange rate %**	**Effect on profit for the year KD**	Change in exchange rate %	Effect on profit for the year KD
SAR	**+/-3%**	**305,203**	+/-3%	319,480
USD	**+/-3%**	**92,940**	+/-3%	102,407

17. 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 2019 and 31 December 2018 as disclosed in Note 12 to the consolidated financial statements.

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.

	2019 KD	2018 KD
Accounts payable and accruals (excluding advances from tenants)	**674,930**	626,831
Islamic financing payables	**32,740,068**	31,289,925
Less: Bank balances and cash	**(3,142,357)**	(1,229,252)
Net debt	**30,272,641**	30,687,504
Equity	**39,402,618**	38,762,534
Total capital and net debt	**69,675,259**	69,450,038
Gearing ratio	**43%**	44%

18. FAIR VALUE MEASUREMENTS

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
Currency	Total KD	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD
31 December 2019				
Investment properties	**60,396,066**	-	-	**60,396,066**
31 December 2018				
Investment properties	60,179,738	-	-	60,179,738

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 8.

Valuation techniques used to derive Level 3 fair values

The Group has one class of properties (residential and commercial). The table below illustrates the following:

18 FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used to derive Level 3 fair values (continued)

- A description of the valuation techniques applied.
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building.
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

19. 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:

31 December 2019	Within 1 Year KD	1 to 10 Years KD	Total KD
ASSETS			
Bank balances and cash	**3,142,357**	-	**3,142,357**
Accounts receivable and prepayments	**1,353,732**	-	**1,353,732**
Inventory properties	**608,732**	-	**608,732**
Investment in an associate	-	**8,310,925**	**8,310,925**
Investment properties	-	**60,396,066**	**60,396,066**
Property and equipment	-	**23,474**	**23,474**
TOTAL ASSETS	**5,104,821**	**68,730,465**	**73,835,286**
LIABILITIES			
Accounts payable and accruals	**820,149**	-	**820,149**
Islamic financing payables	**556,454**	**32,183,614**	**32,740,068**
Employees' end of service benefits	-	**872,451**	**872,451**
TOTAL LIABILITIES	**1,376,603**	**33,056,065**	**34,432,668**

31 December 2018	Within 1 Year KD	1 to 10 Years KD	Total KD
ASSETS			
Bank balances and cash	1,229,252	-	1,229,252
Accounts receivable and prepayments	1,667,601	-	1,667,601
Inventory properties	2,255,987	-	2,255,987
Investment in an associate	-	6,278,732	6,278,732
Investment properties	-	60,179,738	60,179,738
Property and equipment	-	26,727	26,727
TOTAL ASSETS	5,152,840	66,485,197	71,638,037
LIABILITIES			
Accounts payable and accruals	801,842	-	801,842
Islamic financing payables	826,882	30,463,043	31,289,925
Employees' end of service benefits	-	783,736	783,736
TOTAL LIABILITIES	1,628,724	31,246,779	32,875,503