ANNUAL REPORT

TIJARA

تجارة

شركة التجارة والاستثمار العقاري ش.م.ك عامة

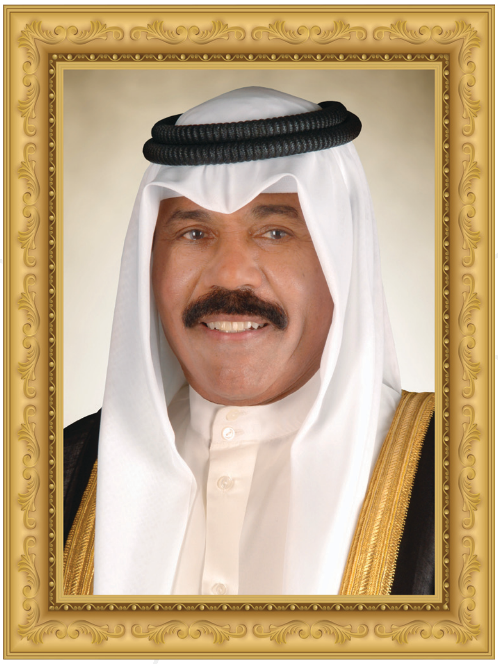
& REALESTATE INVESTMENT K.S.C (PUBLIC)

2020

بسم الله الرحمن الرحيم

IN THE NAME OF ALLAH

The most gracious and the most merciful



His Highness

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness

Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

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BOD Report

Distinguished Shareholders ...

On behalf of myself and on behalf of the board members, I am pleased to present the annual report of year 2020 of TIjara and Real Estate Investment Co., which demonstrates the company's performance during 2020, which is deemed by experts and analysts as one of the most difficult years in the last decades due to the rapid events of corona pandemic faced by the whole world, which has dominated the scene throughout the year.

Whereas Kuwait was not safe from the aforementioned scene, as it has experienced a number of events during 2020, most prominent of which was the death of Prince Shaikh Sabah Al-Ahmad Al-Jaber Al-Sabah at the end of September 2020.

During 2020, the world faced the Coronavirus outbreak, which was not known before, whereas the pandemic has caused health, economic, social and political crisis, which had a great impact on world economies in general and the region in particular.

Kuwait entered a fierce battle to contain the virus and the government resorted to implementing many actions, most prominent of which were imposing a partial lockdown in mid-March and suspending civil aviation flights, before resorting to a total curfew in the beginning of May.

World Economy:

With the emergence of repercussions of new financial crisis arising from the implications of Corona Virus (COVID 19), lower oil prices, blur arising therefrom and failing to identify the time scale for exiting this crisis, most of the global markets were heavily affected by this extreme crisis, which has impacted all countries around the world, among which is Kuwait Market, whereas its most significant repercussions were the downturn in global economic situation and its reflection on Kuwait economy, which started to record severe declines in crude oil prices in Global Energy Markets in the absence of an agreement on reducing of oil production at the beginning of the crisis. While the world started to enter the circle of economic recession since the fourth quarter of last year, in addition to the frightening effects of emerging Corona Virus and the state of panic around the world, several economic sectors have stopped as a result of this pandemic, among which were the sector of transport, tourism and travel, as products demand has declined and also supply chains have completely stopped.

Despite the rapid increase of uncertainty and wide fluctuations, which we have witnessed in 2020 on the ground of the Coronavirus outbreak, the global stock markets' performance was good, after it succeeded in offsetting the losses recorded by them during the months of March and April, also in many cases, it was able to achieve good annual profits.

However, this performance was vitiated by some wide fluctuations mainly attributed to the increase of coronavirus cases and renewal of lockdown cases in many countries around the world and at the same time, the performance of regional stock markets was weaker than their global counterparts in the fourth quarter of the year and despite that, it was able to achieve good profits with the support of oil prices increment and improvement of the geopolitical scene.

However, the headwind represented in the blur and inconsistent demand on oil on the ground of the coronavirus outbreak, which raised the specter of returning to imposing travel restrictions, which negatively impact the situations of oil markets. Also, as of August, OPEC and its allies began to decrease production from 9.7 million barrels per day (to 7.7 million barrel per day), which increase the probability of high supply, that might reflect on global stocks, which are still high.

Kuwait Economy:

The year of 2020 was exceptional in local real estate market, as it was affected by the great unprecedented changes caused by the coronavirus (COVID 19) pandemic in all sectors of Kuwait economy. However, small amount thereof had a deeper impact compared to the changes witnessed by the local real estate market, whereas change was not only extended to the battle of controlling the virus outbreak, rather it extended to making changes in preferences of some, as well as the place and method of living and residence.

The curfew period shocked the local real estate market in the second quarter, which is considered as the peak season, as the sales severely declined in said season. However, with easing the restrictions of social distancing in the third quarter, the local real estate market came back to life by recording sales with the sum of 739 million dinars, whereas trades during the third quarter doubled to nearly six time its size for different real estate sectors compared to the second quarter, even if trade levels and size did not amount to the third quarter of last year in some sectors.

After years of steady increase, lease in commercial areas has declined, particularly in some governorates, among which the Capital, Hawally and Al Farwaniyah, which are characterized with high density. The basis of this transformation was the increase in offering new offices and leases at the time, in which the demand has declined on this kind of real estates. This issues comes in a time, in which many lessees are exposed to many severe financial pressures. Also, several employed persons have lost their jobs during the lockdown period to limit the spread of coronavirus (COVID 19). Therefore, the demand on administrative offices was notably in decline due to halt and due to shifting to work from home via the internet, in addition to closing the borders and suspending flights, which caused for number of employees and residents to stay abroad, particularly workers in some activities, among which small and medium projects.

This halt had a severe impact, in addition to decline of leases, expecting the modification of demographics and lower of residences' number. Therefore, demand on offices has dropped and construction and real estate investment rates have declined in this sector, whereas that was reflected on the size and value of investment and commercial real estate trade, which have dropped by 52% for investment real estate and 54% for commercial real estate during the third quarter on annual basis, whereas the number of construction licenses issued during 2020 in investment real estate dropped by 65% and in commercial construction with 61% for 2019.

While Kuwait Central Bank has reduced the interest rate to 1.5%, in addition to severe decline in revenues of alternate investment channels, the average rate in industrial real estate recorded an annual increase with 2.4% at the end of third quarter 2020, after an annual increase with 5% at the end of second quarter. Also the meter price average in artisan real estate has increased with 2.1% on annual basis, with the return of offered industrial real estate in the third quarter, which is represented in number of trades, after it failed to record any activity in the second quarter while it failed to reached levels of offered in the third quarter of last year with the decline of its number with 42% on annual basis.

On the hand, the real estate companies listed in Kuwait Boursa were affected with decline of real estate sector indicator in the main market with 10.8% for the same period, while the market value for the real estate sector recorded a dropdown from 1.3 billion dinars at the end of 2019 to 1.2 billion at the end of third quarter with a lower percentage of 7.4%, while the capital value of Kuwait Boursa dropped down with 11.7% for the same period.

The economic indicators, among with real estate trades in September, remained at a high level compared to its size average in the past period of the year, which indicates a resistance attempt by the real estate sector after a stage of lockdown continuing until June for all government authorities since mid-March as one of the precautionary actions to limit the coronavirus (COVID 19) spread.

Future Visions:

Kuwaiti economy is witnessing a period of partial recovery from lockdown operations associated with the pandemic despite the continuing low oil prices and continuance of coronavirus infection cases, which affect the possibility of strong economic revival, whereas the non-oil growth rate might reach 3% on 2021, then it will slightly decline considering application of fiscal prudence procedures to face the deficit.

Kuwait is not safe from the risks of the global crisis, which will represent economic recession, as its most significant results will be in the upcoming period, whereas oil constitutes more than 90% of its revenues. Therefore, the dropdown in its prices will constitute a major economic dislocation and will widen the gap of fiscal deficit, in addition to inability to meet future requirements. Despite the economic actions taken to treat this crisis, among which the decrease of discount rate to unprecedented rates, restrictions on selling guarantees and pushing local banks to delay payment of loans for the period of six months as a reaction to this pandemic, in addition to the economic package provided by local Kuwaiti banks, launching monetary and fiscal rescue plan and mitigating the instructions and requirements of Kuwait Central Bank to inject more liquidity in market. However, the halt witnessing by the economy led to negative impacts on all sectors, among which the real estate sector.

Whereas in regard of the company plan for 2021, we foresee a state of uncertainty and outbreak of a second wave of coronavirus in many countries around the world, which makes the company continues in its conservative policies towards controlling costs and building provisions cautiously to face these developments.

Continuing the Development Journey in the Midst of Fluctuation of Global Markets:

We see that the actions taken by Kuwaiti government and Kuwait Central Bank to mitigate the negative impacts on economic sectors and limiting its damage in Kuwait, among with the real estate sector, had a positive impact, whereas the supervisory authorities sought to revive the economy through decreasing the discount rate to 1.5%, which is its lowest level and delaying the payment of loans and real estate installments due on companies and individuals until the end of September 2020.

The company was able to achieve net profits with the sum of 57,740 Kuwaiti dinars during 2020, which declined on annual basis. However, it still is exceptional profits considering the challenges imposed by the repercussions of coronavirus on the operational environment.

Culture of Companies Governance:

Our strict adhesion to governance is a fundamental issue in an extremely viable economic environment, which pushes us to move smoothly and flexibly to invest in opportunities, while limiting risks simultaneously and certainly, the board of directors is fully aware with these rapid developments and they already has taken wise and practical steps to cope therewith and benefit therefrom in the best way possible.

We would like to note that during 2020, no penalties or violations were imposed on the company by the supervisory authorities.

Our Obligation Towards Society:

In the company, we consider the social responsibility very seriously, whereas building a sustainable future for our employees, shareholder, clients, and communities, in which we operate is a common objective on all levels in our company. The company has written a new and very proud record in regard of dealing with fundamental social cases starting from education to health and environment. The company possesses the capability and management to enable it to bear responsibility and make effective positive change.

The strategic fields for social responsibility in the company are also compatible with the objectives of sustainable development, which focus on education, environment protection and health, as these priorities constitute the unified framework, through which the company and its employees seek to achieve a sustainable change. Whereas in 2020, the company's intended objectives were able to deepen its social belonging, fulfill its national responsibility through launching awareness initiatives, which reflect the effective role to limit the spread of coronavirus and dedicate its potentials for the purpose of helping the local community through exemption and decrease of leases for units affected due to the total or partial lockdown procedures during 2020.

Gratitude and Appreciation:

In conclusion, on behalf of my brothers and sisters "members of board of directors", on behalf of myself and the company executive management, I can only show appreciation and gratitude to His Highness Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness Crown Prince Shaikh Mishal Al-Ahmad Al-Jaber Al-Sabah – May Allah Protect Them – for their constant support and wise guidance. I also deeply thank the Ministry of Commerce and Industry, its official, Capital Markets Authority and Kuwait Boursa Co. for their understanding of the current local market situations and looking after its interests.

I cannot also forget to show my gratitude and appreciation for the members of executive management team, as I also would like to thank the company employees for their priceless efforts, loyalty, and excellence in achieving the targeted results, whereas we hope that we would be able to achieve our desired goals in 2021.

Shaikha/ Yasmin Mubarak Jaber AlSabah

Chairman

Kuwait on 10/03/2021

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, 2020 based on the information and reports provided to us by the executive management, auditors and we have exerted the due diligence for verifying the fairness and accuracy of these reports.

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

Corporate Governance Report

During the past years, we engaged in building a strong base in accordance with the best international applications to be a main approach on the basis of which all our works are established, that base is the corporate governance. The company BOD has made all efforts to develop its frameworks and mechanisms to be in line with our operations to lead us to our sustainable works.

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

The First Base: Building a balanced structure for the BOD

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

1.1 An overview about formation of the BOD:

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

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

Name	Classification of the member (executive/ non-executive/ independent), secretary	Academic qualification and experience	Date of election/ appointment of the secretary
Sheikha / Yasmine Mubarak Jaber Al-Sabah	Chairman - Non-Executive	Bachelor and 24-year experience	9/5/2019
Mr. Tareq Fareed Al-Othman	Vice-chairman of the BOD - Independent	Bachelor and 28-year experience	9/5/2019
Mr. Saad Naser Faraj	BOD Member – Independent	Secondary School and 56-year experience	9/5/2019
Ms. Anoud Fadhel AlHathran	BOD Member - Independent	Master Degree and 19-year experience	9/5/2019
Sheikh/ Abdullah Ali Abdullah Al Sabah	BOD Member - Non-Executive	Bachelor and 9-year experience	9/5/2019
Mrs. Tahani Al-Ajmi	Secretary	Master Degree and 24-year experience	9/5/2019

1.2 About the current BOD meetings in 2020:

The BOD meetings are held in presence of majority of the members. In the financial year ended on 31/12/2020, six (6) BOD meetings were held, where the BOD meeting are held upon a written convening notice addressed by the Chairman or upon a written request submitted by at least two members of the BOD or Committees. The convening notice and agenda are sent at least three working days before the specified date, so that the BOD members can examine the raised issues and take proper decisions. The Company’s memorandum of association and articles of incorporation regulate the process of attending the BOD meetings, as well as the method(s) of dealing with irregular attendance at these meetings. The following table indicates an overview on the BOD meetings:

Member name	Meeting No. / Meeting date / Position	1 12/2/2020	2 25/6/2020	3 4/8/2020	4 13/8/2020	5 9/11/2020	6 27/12/2020	Number of meetings
Sheikha / Yasmine Al-Sabah	Chairman	√	√	√	√	√	√	6
Mr. Tareq Al-Othman	Vice-Chairman- CEO	√	√	√	√	√	√	6
Mr. Saad Faraj	Independent member	√	√	√	√	√	√	6
Ms. Anoud AlHathran	Independent member	√	√	√	√	√	√	6
Sheikh/ Abdullah Al Sabah	Member	√	√	√	√	√	√	6
Mrs. Tahani Al-Ajmi	Secretary	√	√	√	√	√	√	6

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

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

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

Independent BOD members

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

Accordingly, the BOD includes non-executive members and independent members; also, the Nomination and Remuneration Committee reviews independence of the BOD members per annum and verifies that there is no lack of independence in accordance with the company's independence conditions guide approved by the BOD and in compliance with the regulatory requirements.

The Second Base: Proper definition of the duties and responsibilities

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

2.1 An overview on how the company defines the duties, responsibilities and tasks of each member of the BOD and the Executive Management, as well as the authorities and powers authorized to the Executive Management:

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

2.1.1 BOD's duties

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

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

and any material developments.

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

2.1.2 Chairman and CEO of the company

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

2.1.3 Duties and responsibilities of the Chairman

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

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

2.1.4 Duties and responsibilities of the executive management

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

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

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

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

objectives and strategy.

6. Active participation in building and developing the moral values culture within the company.
7. Setting the internal control and risk management systems, ensuring effectiveness and adequacy of these systems and ensuring compliance with the risk bias approved by the BOD.

2.2 Achievements of the BOD within 2020

During the financial year ended on 31/12/2020, achievements of the BOD were numerous in relation to the corporate governance applications, the most prominent of those achievements (for example, but not limited to, taking into account that all the achievements were detailed in the other sections of the annual report) the following:

- Review, discuss and approve the company's financial statements.
- Review and discuss the company's legal status and status of current cases filed by or against the lessees.
- Review and discuss status of real estate properties owned by the company and the problems facing these investments.
- Review the periodic reports of risk management after discussion by the Risk Management Committee.
- Approve the employee succession policy update.
- Discuss the actual performance compared to the estimated budget.
- Approve updating Authority Matrix.
- Approve the estimated budget of 2021.
- Approve the CEO authorization.

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

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

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

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

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

2.3.1 Audit Committee

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

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

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

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

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

2.3.1.1 Responsibilities and duties of the Audit Committee

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

1. Review the periodic financial statements before submitting them to the BOD and give opinions and recommendations to the BOD to ensure fairness and transparency of the financial reports.
2. Recommend the BOD to appoint and re-appoint or change the external auditors and determine their fees. When recommending appointment, it is taken into consideration to ensure their independence and to review their appointment letters.
3. Follow up work of the external auditors and ensure that they do not provide services to the company other than the services required by the auditing profession.
4. Examine the external auditor's remarks on the company's financial statements and follow up the measures related to such remarks.
5. Examine the accounting policies in use and give opinions and recommendations to the BOD regarding them.
6. Evaluate the extent of adequacy of the internal control systems applied within the company and prepare reports that include the committee's opinion and recommendations in this regard.
7. Supervise the internal audit office in the company to verify its effectiveness in performing the works and duties specified by the BOD.

8. Recommend nomination of, evaluate performance of and re-appoint the internal audit office.
9. Review and approve the internal audit plans proposed by the Internal Audit Office and make comments on such plans.
10. Review results of the internal audit reports and ensure that the necessary corrective actions have been taken regarding the remarks contained in the reports.
11. Review results of the regulatory authorities' reports and ensure that the necessary measures have been taken in their regard.
12. Ensure that the company adheres to the relevant laws, policies, regulations and instructions.

2.3.1.2 Number of the Audit Committee meetings during 2020

In 2020, the committee met four times on a quarterly basis as follows:

Members	Meeting No. / Meeting date / Position	1	2	3	4
		12/2/2020	25/6/2020	9/11/2020	27/12/2020
Anoud Fadhel AlHathran	Committee chairman	✓	✓	✓	✓
Abdullah Al Sabah	Committee member	✓	✓	✓	✓
Saad Faraj	Committee member	✓	✓	✓	✓

2.3.1.3 An overview of the audit committee's achievements within 2020

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

Within 2020, the audit committee evaluated the extent of adequacy of the internal control systems applied to the company, where the committee considered that the applicable internal control systems are sufficient to verify impact of the risks to which the company is exposed; also, the committee's financial statements fairly reflect the company's financial performance.

2.3.2 Risk Management Committee

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

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

2.3.2.1 Responsibilities and duties of the Risk Management Committee

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

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

2.3.2.2 Number of meetings of the Risk Committee within 2020

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

The committee met four times within 2020 as follows:

Members	Meeting No.	1	2	3	4
	Meeting date	12/2/2020	13/8/2020	9/11/2020	27/12/2020
	Position				
Saad Faraj	Committee chairman	✓	✓	✓	✓
Tareq Al-Othman	Committee member	✓	✓	✓	✓
Anoud AlHathran	Committee member	✓	✓	✓	✓

2.3.2.3 An overview of the Risk Committee's achievements within 2020

- Review the periodic risk report.
- Measure the level of risk to assist the BOD to determine and evaluate the acceptable level of risk for the company.
- Discuss the related transactions report.
- Evaluate the internal control systems and mechanisms to identify and control the various risks to which the company may expose.
- Assist the BOD to identify and evaluate the acceptable level of risk to ensure that the company does not exceed this level of risk after being approved by the BOD.
- Review the business continuity plan for the Covid-19.
- Discuss and approve the updated authority matrix.
- Discuss and approve an update of the employee succession plan.

2.3.3 Nomination and Remuneration Committee

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

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

2.3.3.1 Responsibilities and duties of the Nomination and Remuneration Committee

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

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

2.3.3.2 Number of meetings of the Nomination and Remuneration Committee within 2020

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

The committee met within 2020 as follows:

Members	Meeting No.	1
	Meeting date	12/2/2020
	Position	
Yasmine Al-Sabah	Committee chairman	✓
Tareq Al-Othman	Committee member	✓
Saad Faraj	Committee member	✓

2.3.3.3 An overview on the Nomination and Remuneration Committee's achievements within 2020

In 2020, the Nomination and Remuneration Committee made many effective recommendations to support establishment of the company's corporate governance framework, for example, but not limited to:

- Review evaluation of performance of the BOD members, the CEO, and the subsidiary committees.
- Review and ensure independence of the independent members.
- Discuss the rewards report.
- Verify that there are no cases of conflict of interest among the BOD members.
- Review the efficiency and integrity statements of the BOD members.
- Review and update the job description of the executive management staff.

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

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

The Third Base: Selection of qualified persons for membership in the BOD and executive management

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

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

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

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

- Prepare annual reports that include the comprehensive remunerations that awarded to the BOD members.

- Review the performance evaluation of members of the BOD, executive management and the committees emanating from the BOD.
- Verify that there are no cases of conflict of interest among the BOD members.
- Verify availability of the proper level of training and introduce members of the BOD and executive management.

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

A - Remuneration for the BOD members:

The BOD recommended not to pay remuneration to the members of the BOD for the financial year ending on December 31, 2020, where such remuneration is subject to approval of the company's general assembly

B - Remuneration of the Executive Management:

The remuneration system for the executive management depends on the company's performance and the extent to which the growth goals are achieved in the long term and is commensurate with volume, nature and degree of the job risks. The remunerations include a fixed segment of salaries, bonuses and other fixed features, as well as a variable segment of variable bonuses.

The Fourth Base: Ensuring integrity of the financial reports

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

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

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

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

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

- The committee has reviewed the periodic financial statements before submitting them to the BOD, provided it opinion and recommendations on them to the BOD to ensure fair and transparent financial reports.

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

4.3 In 2020, there were no contradictions between the recommendations of the Audit Committee and the BOD decisions

4.4 Confirming independence and impartiality of the external auditor

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

Within 2020, the company's audit committee has verified independence and impartiality of the auditor in accordance with the conditions stipulated in the company's internal policies and regulations in line with requirements of the regulatory authorities, including but not limited to the following:

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

The Fifth Base: Establishing sound systems for risk management and internal control

5.1 Brief Statement on application of the risk management formation:

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

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

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

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

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

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

5.3 Internal Control and Monitoring Systems:

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

- Determining in detail the authorities and responsibilities through policies and procedures and ensuring that they are circulated among the departments to achieve business credibility and achieve efficiency and effectiveness of operational processes.
- A detailed authority matrix approved by the BOD, where the company is keen to completely separate the duties assigned to each department and is keen to ensure that there are no conflicts of interest.
- It was also keen on covering the internal audit of all the company's departments in 2020 and following up all measures taken to deal with all remarks of the internal auditor.

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

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

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

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

The Sixth Base: Promoting the professional conduct and ethical values

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

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

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

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

The company has a clear policy to reduce the cases of conflict of interest, approved by the BOD. In 2020, all members of the BOD and the Executive Management signed the annual declaration regarding compliance with procedures for reducing the cases of conflict of interest.

The Seventh Base: Accurate and timely disclosure and transparency

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

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

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

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

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

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

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

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

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

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

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

The Eighth Base: Respect for the shareholders' rights

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

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

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

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

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

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

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

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

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

The Ninth Base: Recognizing the stakeholders' role

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

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

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

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

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

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

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

The Tenth Base: Enhancing and improving the performance:

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

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

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

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

The company has a clear policy approved by the BOD regarding the performance evaluation, including objective performance indicators in a clear and written manner. In 2020, all members of the BOD, the executive and the whole BOD were evaluated, where those evaluations were reviewed by the Nomination and Remuneration Committee.

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

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

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

The Eleventh Base: Importance of the social responsibility

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

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

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

The social responsibility includes the company's employees and the community, where it focuses on fair treatment upon employment and the responsibility related to health and safety due to nature of the company, as well as the responsibility to preserve the environment. In 2020 and due to Covid-19 pandemic, the company has temporarily exempted and reduced the rental value for most of the properties that exposed to damages due to the closure decision. Whereas the company believes in its role towards the community, it prepared many awareness leaflets to reduce the spread of Covid-19 infection.

Report of Audit Committee

For Fiscal Year Ended on December 31st 2020

Formation of Audit Committee:

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

Committee Meetings and Achievements:

During 2020, the committee held 4 meetings, whereas its achievements have included the following maters:

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

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

Through the committee follow-up and supervision during 2020 on the works of internal audit, which rely on risks assessment, the committee believes that the company possesses sufficient and effective supervisory environment, whereas no fundamental gaps were discovered during the year, also there were no significant failure in the application of internal supervision regulations.

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

Anoud Fadhel AlHathran	**Saad Naser Faraj**	**Abdullah Ali Abdullah AlSabah**
Committee Chairman	Member	Member

Date: 01/08/1442 AH

Corresponding to: 14/03/2021

Report of Sharia Audit

For the Financial Period 1/1/2020-31/12/2020

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 1/1/2020-31/12/2020 and it includes four items as follows:

First: Works of Sharia Audit Authority:

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

Second: Resolutions of Sharia Audit Authority:

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

Third: Policies and Procedures Approved by Sharia Audit Authority:

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

Fourth: Final Opinion:

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

Contracts, processes and transactions made by the Company during the period 1/1/2020 till 31/12/2020, were made according to Islamic sharia provisions.

Thanks be to Allah

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

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

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 2020, 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 2020, 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 2020 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 2020. 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 2020 Annual report

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 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.

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 2020, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 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

10 March 2021
Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
Rental income	3	**3,598,905**	4,163,999
Other services and operating income		**6,593**	23,258
Property operating expenses		**(246,857)**	(257,704)
Realized gain on sale of investment property	7	**-**	105,000
Change in fair value of investment properties	7	**(59,472)**	730,152
Net gain on investment properties		**3,299,169**	4,764,705
Sale of inventory properties		**-**	1,693,852
Cost of sales		**-**	(1,647,255)
Net gain on inventory property		**-**	46,597
Share of results of an associate	6	**84,418**	25,478
Net gain on investment		**84,418**	25,478
Administrative expenses		**(874,780)**	(1,142,595)
Foreign exchange gain (loss)		**2,357**	(11,482)
Other income		**29,204**	13,284
Operating profit		**2,540,368**	3,695,987
Finance costs		**(1,169,334)**	(1,663,154)
Provision for expected credit losses		**(1,234,072)**	(508,211)
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		**136,962**	1,524,622
KFAS		**(1,233)**	(13,722)
NLST		**(36,421)**	(53,119)
Zakat		**(14,568)**	(21,248)
Board of directors' remuneration		**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**54,740**	1,406,533
BASIC AND DILUTED EARNINGS PER SHARE	4	**0.15 fils**	3.80 fils

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020 KD**	2019 KD
PROFIT FOR THE YEAR		**54,740**	1,406,533
Other comprehensive income (loss):			
Item that are (or) may be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments of foreign operations		**3,486**	(6,978)
Foreign currency translation adjustments of an associate	6	**6,871**	(19,471)
Other comprehensive income (loss) for the year		**10,357**	(26,449)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**65,097**	1,380,084

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020 KD**	2019 KD
ASSETS			
Bank balances and cash		**3,882,346**	3,142,357
Accounts receivable and prepayments	5	**656,460**	1,353,732
Inventory properties		**608,732**	608,732
Investment in an associate	6	**8,171,714**	8,310,925
Investment properties	7	**60,347,404**	60,396,066
Property and equipment		**12,822**	23,474
TOTAL ASSETS		**73,679,478**	73,835,286
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals		**796,981**	820,149
Islamic financing payables	8	**33,196,542**	32,740,068
Employees' end of service benefits		**958,240**	872,451
TOTAL LIABILITIES		**34,951,763**	34,432,668
Equity			
Share capital	9	**37,000,000**	37,000,000
Statutory reserve	9	**426,876**	413,180
General reserve	9	**426,876**	413,180
Share options reserve		**142,253**	142,253
Foreign currency translation reserve		**244,165**	233,808
Treasury shares reserve		**18,132**	18,132
Retained earnings		**469,413**	1,182,065
TOTAL EQUITY		**38,727,715**	39,402,618
TOTAL LIABILITIES AND EQUITY		**73,679,478**	73,835,286

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

Tareq Fareed Al Othman
Vice Chairman and Executive President

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 2020	37,000,000	413,180	413,180	142,253	233,808	18,132	1,182,065	39,402,618
Profit for the year	-	-	-	-	-	-	54,740	54,740
Other comprehensive income for the year	-	-	-	-	10,357	-	-	10,357
Total comprehensive income for the year	-	-	-	-	10,357	-	54,740	65,097
Transfer to reserves	-	13,696	13,696	-	-	-	(27,392)	-
Distribution of dividends (Note 9)	-	-	-	-	-	-	(740,000)	(740,000)
At 31 December 2020	**37,000,000**	**426,876**	**426,876**	**142,253**	**244,165**	**18,132**	**469,413**	**38,727,715**
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 9)	-	-	-	-	-	-	(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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		**136,962**	1,524,622
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Depreciation		**11,357**	11,013
Provision for employees' end of service benefits		**96,025**	165,313
Realised gain on sale of inventory properties		**-**	(46,597)
Share of results of an associate	6	**(84,418)**	(25,478)
Realized gain on sale of investment properties	7	**-**	(105,000)
Change in fair value of investment properties	7	**59,472**	(730,152)
Finance costs		**1,169,334**	1,663,154
Provision for expected credit losses		**1,234,072**	508,211
Foreign exchange (gain) loss		**(2,357)**	11,482
		2,620,447	2,976,568
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**(533,963)**	(195,038)
Inventory properties		**-**	1,693,852
Accounts payable and accruals		**(93,247)**	(81,264)
Cash flows from operations		**1,993,237**	4,394,118
Employees' end of service benefits paid		**(10,236)**	(76,598)
Board of directors' remuneration paid		**(30,000)**	(30,000)
Net cash flows from operating activities		**1,953,001**	4,287,520
INVESTING ACTIVITIES			
Additions to investment in an associate		**-**	(2,026,186)
Additions to investment properties	7	**-**	(50,000)
Proceeds from capital redemption of investment in an associate		**230,500**	-
Disposal of investment property	7	**-**	655,000
Additions to property and equipment		**(705)**	(7,760)
Net cash flows from (used in) investing activities		**229,795**	(1,428,946)
FINANCING ACTIVITIES			
Proceeds from Islamic financing payables		**500,000**	17,915,300
Repayment of Islamic financing payables		**(100,000)**	(16,082,591)
Finance costs paid		**(1,115,118)**	(2,042,798)
Dividends paid		**(721,197)**	(728,311)
Net cash flows used in financing activities		**(1,436,315)**	(938,400)
NET INCREASE IN BANK BALANCES AND CASH		**746,481**	1,920,174
Net foreign exchange difference		**(6,492)**	(7,069)
Bank balances and cash at 1 January		**3,142,357**	1,229,252
BANK BALANCES AND CASH AT 31 DECEMBER		**3,882,346**	3,142,357

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

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

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2020

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 2020 were authorised for issue in accordance with a resolution of the board of directors on 10 March 2021. 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 2019 were approved by the shareholders of the Parent Company in the annual general assembly meeting held on 25 June 2020.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "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 financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3: Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

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 2020.

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

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

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)

- 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.

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
	2020	2019		
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.

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

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

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

Zakat

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

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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)

- 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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of financial assets (continued)

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).

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

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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)

Initial recognition and measurement (continued)

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.

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

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)

Offsetting of financial instruments (continued)

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.

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

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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.

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.

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

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Group companies (continued)

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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of investment properties are provided in Note 15.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. But also volatility in stock prices, profit and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

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 real estate properties

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

property whether 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.

Classification of financial assets

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

Estimates and assumptions

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

Impairment of tenant and other receivables

The Group uses the simplified model in calculation of the ECL for tenant receivables that do not contain a significant financing component by establishing 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. However, the segmentation applied in previous years revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms). The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Valuation of investment properties

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of investment properties (continued)

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

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's investment properties and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

3 RENTAL INCOME

	2020 KD	2019 KD
Gross rental income	**4,033,641**	4,163,999
Less: discounts provided on account of COVID-19	**(434,736)**	-
	3,598,905	4,163,999

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

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at the reporting date,

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4 BASIC AND DILUTED EARNINGS PER SHARE (continued)

the Group had no outstanding dilutive potential shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2020 KD	2019 KD
Profit for the year (KD)	**54,740**	1,406,533
Weighted average number of shares outstanding during the year (excluding treasury shares) *	**370,000,000**	370,000,000
Basic and diluted earnings per share	**0.15 fils**	3.80 fils

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

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

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2020 KD	2019 KD
Rent receivables	**1,498,688**	1,018,855
Provision for expected credit losses	**(1,086,628)**	(299,987)
Net rent receivables	**412,060**	718,868
Receivable from property developer	**743,608**	743,608
Provision for expected credit losses	**(743,608)**	(300,000)
Net receivable from property developer	**-**	443,608

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5 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Prepaid expenses	**18,995**	19,266
Staff receivables	**27,219**	28,698
Other receivables	**198,186**	143,292
	656,460	1,353,732

As at 31 December 2020, rent receivables at nominal value of KD 1,086,628 (31 December 2019: KD 299,987) were impaired and fully provided for.

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

	2020 **KD**	2019 KD
At 1 January	**599,987**	91,776
Charge for the year	**1,234,072**	508,211
Foreign currency translation adjustments	**(3,823)**	-
At 31 December	**1,830,236**	599,987

6 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

Name of company	Country of Incorporation	Equity interest as at 31 December **2020** **%**	2019 %	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

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6 INVESTMENT IN AN ASSOCIATE (continued)

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

	2020 KD	2019 KD
At 1 January	**8,310,925**	6,278,732
(Return of capital) additions	**(230,500)**	2,026,186
Share of result	**84,418**	25,478
Foreign currency translation adjustments	**6,871**	(19,471)
At 31 December	**8,171,714**	8,310,925

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

	2020 KD	2019 KD
Current assets	**637,696**	1,114,797
Non-current assets	**34,467,630**	34,471,485
Current liabilities	**(1,003,843)**	(912,405)
Non-current liabilities	**(52,676)**	(45,020)
Equity	**34,048,807**	34,628,857
Proportion of the Group's ownership	**24%**	24%
Group's share in the equity	**8,171,714**	8,310,925

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6 INVESTMENT IN AN ASSOCIATE (continued)

Summarised statement of income for associate is as follows:

	2020 KD	2019 KD
Rental income	**1,717,523**	1,790,771
Property operating expenses	**(962,838)**	(1,145,401)
Administrative expenses	**(387,356)**	(334,193)
Finance cost	**-**	(203,466)
Change in fair value of investment property	**(15,588)**	(1,552)
Profit for the year	**351,741**	106,159
Proportion of the Group's ownership	**24%**	24%
Group's share of profit	**84,418**	25,478

7 INVESTMENT PROPERTIES

	2020 KD	2019 KD
At 1 January	**60,396,066**	60,179,738
Additions	**-**	50,000
Disposal	**-**	(550,000)
Change in fair value of investment properties	**(59,472)**	730,152
Net foreign exchange gain (loss)	**10,810**	(13,824)
At 31 December	**60,347,404**	60,396,066

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NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

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7 INVESTMENT PROPERTIES (continued)

During prior year, 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 2020, investment properties of KD 4,250,000 (2019: KD 4,160,000) are held in the name of a third party under Ijara agreement (Note 8).

As at 31 December 2020, certain investment properties amounting to KD 31,953,000 (2019: KD 31,850,000) are pledged as a security against Murabaha agreement of KD 25,400,000 (2019: KD 25,000,000) (Note 8).

The fair value of the investment properties amounting to KD 60,347,404 (31 December 2019: KD 60,396,066) 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 loss of KD 59,472 (2019: gain KD 730,152) in the consolidated statement of income.

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

2020	Kuwait	GCC
Estimated market price for the land (per sqm) (KD)	1,831	658
Construction costs (per sqm) (KD)	410	459
Average monthly rent (per sqm) (KD)	9	6
Yield rate	8.7%	8.4%
Vacancy rate	11.3%	48.0%

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7 INVESTMENT PROPERTIES (continued)

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	8.8%	8.3%
Vacancy rate	11.7%	37.8%

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.

2020	**Changes in valuation assumptions**	**Kuwait KD**	**GCC KD**
Estimated market price for the land	**5%**	**1,450,750**	**359,430**
Average rent	**5%**	**2,157,400**	**801,705**
Yield rate	**5%**	**2,054,667**	**763,529**
Vacancy rate	**5%**	**2,157,400**	**801,705**
2019			
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

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8 ISLAMIC FINANCING PAYABLES

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

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

Islamic finance payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.5% to 3.25% (2019: 1.5% to 3.25%) per annum over Central Bank of Kuwait discount rate. Islamic financing payables are mainly due within range of 1 to 9 years from the reporting date.

As at 31 December 2020, Ijara payable of KD 3,095,644 (2019: KD 3,095,644) are secured by the investment properties of KD 4,250,000 (31 December 2019: KD 4,160,000 (Note 7).

As at 31 December 2020, Murabaha payable of KD 25,400,000 (2019: KD 25,000,000) are secured by the investment properties of KD 31,953,000 (2019: KD 31,850,000) (Note 7).

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8 ISLAMIC FINANCING PAYABLES (continued)

Changes in liabilities arising from financing activities

2020	1 January KD	Cash Flows –in/(out) KD	Other – in/(out) KD	31 December KD
Ijara payable	3,098,612	(124,780)	125,310	3,099,142
Tawarruq payable	4,684,769	(179,510)	190,094	4,695,353
Murabaha payable	24,956,687	(410,828)	856,188	25,402,047
	32,740,068	(715,118)	1,171,592	33,196,542

2019	1 January KD	Cash Flows –in/(out) KD	Other – in/(out) KD	31 December 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

9 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 2020, comprises 370,000,000 shares (2019: 370,000,000 shares) of 100 fils (2019: 100 fils) each paid up in cash.

The Annual General Assembly of the shareholders of the Parent Company held on 25 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and the distribution of cash dividends of 2 fils (2018: 2 fils) per share of KD 740,000 (2018: KD 740,000) for shareholders registered on that date.

In addition, the Annual General Assembly of the shareholders of the Parent Company approved the directors' remuneration amounting to KD 30,000 for the year ended 31 December 2019 (2018: KD 30,000).

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As at end for the year ended 31 December 2020

9 Share Capital, General Assembly Meeting And Reserves (continued)

a) Share capital and general assembly meeting (continued)

The proposed cash dividends on ordinary shares for the year ended 31 December 2020 is Nil (2019: 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, 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.

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2020 **KD**	2019 KD
Foreign currency exchange differences	**8,574**	(7,541)

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10 Related Party Transactions And Balances (continued)

The Group has recognized a gain of KD 8,574 (31 December 2019: loss of KD 7,541) in the consolidated statement of profit or loss on foreign exchange rate fluctuation in SAR relating to the amounts due from one of the Group's subsidiary of SAR 115,709,647 (31 December 2019: SAR 122,414,924).

No balance with related parties included in the consolidated statement of financial position as at the reporting date.

Key management personnel

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

	2020 KD	2019 KD
Salaries and short-term benefits	**304,200**	289,950
Employees' end of service benefits	**60,277**	125,739
	364,477	415,689

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

11 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitment

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

Contingent liabilities

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

12 SEGMENT INFORMATION

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

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2020

12 SEGMENT INFORMATION (continued)

- 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 2020	Real estate activities KD	Investment activities KD	Others KD	Total KD
Net gain on investment properties	3,299,169	-	-	3,299,169
Share of results of an associate	-	84,418	-	84,418
Administrative expenses	(874,780)	-	-	(874,780)
Foreign exchange gain	-	-	2,357	2,357
Other income	-	-	29,204	29,204
Finance costs	(1,169,334)	-	-	(1,169,334)
Provision for expected credit losses	(1,234,072)	-	-	(1,234,072)
Unallocated expenses	-	-	(82,222)	(82,222)
Segment profit	20,983	84,418	(50,661)	54,740
Segment assets	65,494,942	8,171,714	12,822	73,679,478
Segment liabilities	33,993,523	-	958,240	34,951,763

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12 SEGMENT INFORMATION (continued)

31 December 2019	Real estate activities KD	Investment activities KD	Others KD	Total KD
Net gain on investment properties	4,764,705	-	-	4,764,705
Net gain on sale of inventory properties	46,597	-	-	46,597
Share of results of an associate	-	25,478	-	25,478
Administrative expenses	(1,142,595)	-	-	(1,142,595)
Foreign exchange (loss)	-	-	(11,482)	(11,482)
Other income	-	-	13,284	13,284
Finance costs	(1,663,154)	-	-	(1,663,154)
Provision for expected credit losses	(508,211)	-	-	(508,211)
Unallocated expenses	-	-	(118,089)	(118,089)
Segment profit	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

13 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.

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13 RISK MANAGEMENT (continued)

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.

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 2020 KD	Gross maximum exposure 2019 KD
Cash and bank balances (excluding cash on hand)	**3,880,805**	3,140,178
Accounts receivable (excluding prepayments and advances)	**637,465**	890,857
Total credit risk exposure	**4,518,270**	4,031,035

Risk concentrations of the maximum exposure to credit risk

The Group's financial assets, before taking into account any collateral held or other credit

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13 RISK MANAGEMENT (continued)

enhancements (if any), can be analysed by the following geographical regions and industrial sectors:

	2020				2019			
	Banking and financial services KD	**Construction and real estate KD**	**Other KD**	**Total KD**	Banking and financial services KD	Construction and real estate KD	Other KD	Total KD
Kuwait	**3,636,577**	**239,976**	**45,194**	**3,921,747**	2,892,668	292,143	46,673	3,231,484
Other GCC	**244,228**	**281,594**	**70,701**	**596,523**	247,510	506,169	45,872	799,551
	3,880,805	**521,570**	**115,895**	**4,518,270**	3,140,178	798,312	92,545	4,031,035

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

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of tenants receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts.

The Group's exposure to credit risk from tenant receivables is influenced mainly by the individual characteristics of each tenant. Tenant credit risk is managed by ensuring that collections are made on a timely manner and by requiring tenants to pay rent advances, substantially eliminating the Group's credit risk in this respect. However, the effects of COVID-19 may increase the amount of ECL recognised relating to tenant receivables, due to the disruptive effects of the pandemic (e.g. shutdown of operations, reduced consumer spending, etc.).

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

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13 RISK MANAGEMENT (continued)

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 bank balances and cash, 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 Group expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its bank balances and cash at an amount in excess of expected cash outflows on financial liabilities.

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

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13 RISK MANAGEMENT (continued)

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

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

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

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13 RISK MANAGEMENT (continued)

Market risk (continued)

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 8). 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
2020	**+/-1%**	**331,792**
2019	+/-1%	327,772

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:

	2020		2019	
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%**	**311,224**	+/-3%	305,203
USD	**+/-3%**	**92,992**	+/-3%	92,940

14 CAPITAL MANAGEMENT

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2020 and 31 December 2019.

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.

	2020 KD	2019 KD
Accounts payable and accruals (excluding advances from tenants)	**693,357**	674,930
Islamic financing payables	**33,196,542**	32,740,068
Less: Bank balances and cash	**(3,882,346)**	(3,142,357)
Net debt	**30,007,553**	30,272,641
Equity	**38,727,715**	39,402,618
Total capital and net debt	**68,735,268**	69,675,259
Gearing ratio	**44%**	43%

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15 FAIR VALUE MEASUREMENTS

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

The Group's investment properties is valued using level 3 of the fair value measurement.

Valuation techniques used to derive Level 3 fair values

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

- 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.

During the year, there were no transfers into and out of level 3 fair value measurements. The reconciliation of the opening and closing amount of Level 3 are presented in Note 7.

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16 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

The maturity profile of assets and liabilities is as follows:

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

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16 Maturity Analysis Of Assets And Liabilities (continued)

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