TIJARA تجارة

شركة التجارة والاستثمار العقاري ش.م.ك عامة

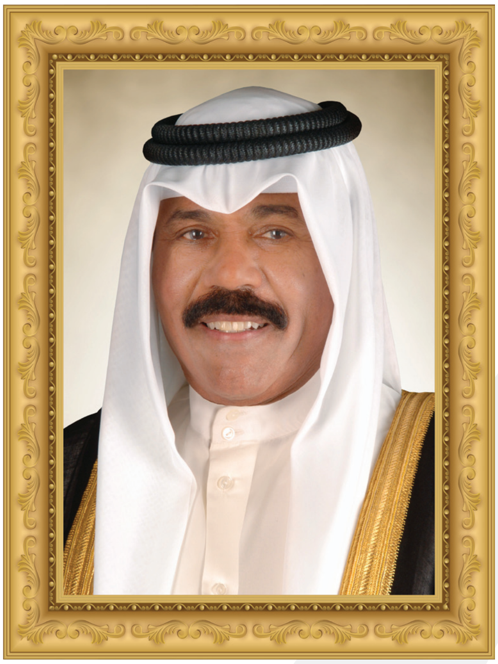
& REALESTATE INVESTMENT K.S.C (PUBLIC)

ANNUAL REPORT 2022

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

CONTENTS

BOD Report

Dear Contributors,

On behalf of myself and my fellow board members, I am pleased to present to you the 2022 Tijara and Real Estate Investment Company Annual Report. 2022 has been a positive year despite the challenges still facing the global economy.

World Economy

During 2022, the world economies suffered a lot as inflation rates increased up to nearly 10% in 2022, especially in the United States of America and the European Union. The reason was mostly the Russian-Ukrainian war, which had cast a shadow on oil prices, accompanied by high food prices on the international market. The monetary policy followed by the United States of America has also contributed to raise interest rates, which in turn led to a rise in the value of the dollar against all other currencies. The outlook for 2023 is not promising, as the International Monetary Fund (IMF) has made a pessimistic forecast of inflation rates.

Kuwaiti Economy

The soaring cost of living has prompted most major central banks to implement more stringent monetary policies than before, with key interest rates now reaching their highest level in several years with a continued rise expected in 2023.

By the end of December 2022, the average price of a Kuwaiti oil barrel in December was about US$ 80.5 per barrel, which is about US$ 0.5 per barrel, i.e., 0.6% higher than the estimated default price in the local budget of US $80.00 per barrel. This is expected to be reflected in Kuwait's fiscal year budget, which may provide a financial surplus if the level of production and prices continue to be the same.

For the real estate sector, in 2022, real estate liquidity declined by 4.4% to KD 3.7 billion, due to a decrease in private housing activity accompanied by an increase in investment housing activity, in addition to an increase in business transactions. The rate of a single transaction for commercial activity increased to around KD 3.8 million, up from about KD 2.1 million in 2021.

Enhancing of Shareholder Value

This year's good performance is comes as a result of our commitment to implement the Company's long-term strategy, which aims to maximize shareholder value and increase the Company's organizational culture. We are determined to add sustainability to our strategic plan.

In 2022, the Company continued its success in the real estate sector, in light of the unstable economic conditions we witnessed, with a net profit of KD 2,132,770 compared to KD 1,478,671 in 2021, an increase of about 44.2%, and total revenues of KD 4,859,777, an increase of 24%, compared to KD 3,920,208 from the previous year.

The results reflect the Company's good standing, and despite the challenges we face, our most important goal is to be among the best real estate companies in Kuwait.

Our Highly Dedicated Cadres

The Company's strong performance this year is mainly due to the endeavors and efforts exerted by our employees, who are, with no doubt, one of the Company's main factors of strength to achieve its strategic goals. Our employees will be proud to see Tijrara and Real Estate Investment Company among the best institutions with a good working environment in Kuwait. This will happen because we provide training and development programs and access to best practices and modern labor standards that are consistent with the development witnessed by the state of Kuwait.

Promotion of Governance Practices and Commitment

The Board of Directors and Executive Management believe that governance is not only to conform to regulatory requirements, but is also a means to achieve strong implementation of good governance practices. By focusing on the level of control and transparency, investors will look up to the Company. Our Company issues a separate report on governance as an addendum to the 2022 Annual Report.

The board members are making the utmost effort to apply the best governance standards and principles, and the Company will continue to pursue performance excellence through our reserved approach to all of our business with a commitment to transparency and to act effectively. We would like to note that during 2022, no penalties or violations were imposed on the Company by supervisory and regulatory authorities.

Trend Toward Sustainability

The term "Environmental, Social and Governance (ESG) Practices" is part of the corporate culture and methodology, even before this term appears among economic organizations. The Company has some work to do with safety, and social responsibility, which we will complete at the moment. We believe that successful financial performance follows a systematic approach to sustainability, sustainable processes, non-financial commitments, and community investments. We aspire to further work to enhance the contribution of the real estate sector to sustainable development in the economic, environmental and social sectors.

Appreciation, and Gratitude

At the end of my word, I can only present, on behalf of my fellow members of the Company Board and the Executive Management, and on my own behalf, our great gratitude and appreciation to HH the Emir Sheikh\ Nawaf Al-Ahmad Al-Jaber Al-Sabah, and the Crown Prince Sheikh\ Mishaal Al-Ahmad Al-Jaber Al-Sabah, for their continuous support and good directives. We also extend our gratitude and thanks to the Prime Minister Sheikh\ Nawaf Al-Ahmad Al-Sabah, and the Ministry of Commerce and Industry, as well as the Ministry's officers, in addition to the Capital Market Authority, and Kuwait Boursa for their understanding of the local market situations and due diligence of its interests.

I would also like to thank my fellow members of the Board as well as the Company's Executive Management team for their dedication, outstanding efforts and great support, which contributed to achieving the desired results. We hope that by 2023 we will achieve the desired results.

Peace be upon you,

Best regards.

Sheikha/ Yasmeen Mubarak Al-Jaber Al-Sabah

Chairman of Board of Directors

Kuwait on 08/02/2023

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, 2022 based on the information and reports provided to us by the executive management, auditors and we have exerted the due diligence for verifying the fairness and accuracy of these reports.

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

Corporate Governance Report

Over the past years, we have worked to keep up with governance developments through our periodic reviews of its developments and follow best practices in order to resolve the challenges that may arise from time to time in both our markets and the global markets.

We have endeavored to comply with the corporate governance requirements issued by the Capital Markets Authority in accordance with Book (15) Corporate Governance regarding issuance of the executive regulation of Act No. 7 of 2010 on the establishment of the Financial Markets Authority, the regulation of securities activity, and the amendments thereof. We have begun a new phase whose focus is on setting a governance culture in our business patterns and the practices of our employees.

Rule I: Building a balanced structure of the Board of Directors

At the moment, diversity is the key to success in the light of rapid evolvement at the global business environments, and therefore Tijara & Real Estate Investment Company (Tijara) Board is composed of individuals with extensive and diverse expertise, skills and knowledge, which resulting in a balanced and effective form of the Board which enables it to exercise its functions and responsibilities while taking into account the renewable needs of the business.

1.1 Board of Directors overview:

Tijara Board of Directors has a suitable structure which conform with the size and nature of the Company's activities and with the tasks and responsibilities attributed to its members. The composition of the Board takes into account the diversity of professional and practical experiences as well as technical skills. The Nomination and Rewards Committee verifies that the members of the Board of Directors and the Executive Management have met all the requirements of the Company's Competency and Integrity Model Manual and reviews the required skills of the Board of Directors and the Executive Management on an annual basis.

The Board of Directors of Tijara is composed of (5) members in total, (1) executive member and (4) non-executive members ((2) of them are independent), all the members of the Board are professionals, and have the necessary skills to occupy this position, as well as experience and knowledge in the field of real estate investment. All the members of the Board are elected by the General Assembly every three years. The members were elected on 23/3/2022, and the following table shows a brief description of the composition of the Board:

Name	Classification of the member (executive/ non-executive/ independent), secretary	Academic qualification and experience	Date of election/ appointment of the secretary
Sheikha / Yasmine Mubarak Al-Jaber Al-Sabah	Board Chairman – Non-executive	Bachelor with 26-years experience	23/03/2022
Mr. Tareq Fareed Al-Othman	Deputy Chairman and Chief Executive Officer	Bachelor with 30-years experience	23/03/2022
Mr. Saad Naser Faraj	Independent Board member	Secondary School with 58-years experience	23/03/2022
Ms. Anoud Fadhel Al-Hathran	Independent Board member	Master Degree with 21-years experience	23/03/2022
Sheikh/ Abdullah Ali Al-Khalifa Al-Sabah	Non-executive Board member	Bachelor with 11-years experience	23/03/2022
Mrs. Tahani Al-Ajmi	Secretary	Master Degree with 26-years experience	23/03/2022

1.2 Current Board Meetings of 2022:

Board meetings shall be held in the presence of the majority of members, for example, 10 meetings were held in the financial year ending December 31, 2022, as the Board Meeting shall held upon written invitation of the Chairman or upon a written request of at least two members of the Board or Committees. The invitation and the agenda shall be sent before at least three working days so that the Board members study the subject matters and make appropriate decisions. In addition, Company›s Memorandum of Association and Articles of Association include the organization of Board meetings attendance, and how to deal with members› irregularity at those meetings. The following table indicate a brief summary of the Board of meetings:

Member name	Meeting No. / Meeting date / Position	1 25/1/2022	2 20/2/2022	3 09/3/2022	4 23/3/2022	5 24/3/2022	6 27/4/2022	7 25/7/2022	8 19/9/2022	9 26/10/2022	10 28/12/2022	Number of meetings
Sheikha / Yasmine Al-Sabah	Chairman of the Board	√	√	√	√	√	√	–	√	√	√	9
Mr. Tareq Al-Othman	Deputy Chairman, CEO	√	√	√	√	√	√	√	√	√	√	10
Mr. Saad Faraj	Independent member	√	√	√	√	√	√	√	√	√	√	10
Ms. Anoud Al-Hathran	Independent member	√	√	√	√	√	√	√	√	√	√	10
Sheikh/ Abdullah Al-Sabah	Member	√	√	√	√	√	√	√	√	√	√	10
Mrs. Tahani Al-Ajmi	Secretary	√	√	√	√	√	√	–	√	√	√	9

1.3 Brief on how to apply registration requirements and maintain minutes of Board meetings:

The Company has a special record in which the minutes of Board meetings are recorded in successive numbers for the year in which the meeting was held, indicating the place, date, start and end time of the meeting, in addition to the preparation of minutes of discussions and deliberations, including voting process done, as well as classifying and maintaining it for ease of reference.

The Board also reappointed Ms. Tahani Al-Ajami as Secretary of the Board of Directors on 23/3/2022. There is a clear regulation on the functions and responsibilities of the Secretary of the Board approved by the Board of Directors and in accordance with the requirements of the Capital Markets Authority, whereas she is responsible for recording and maintaining all the minutes of the Board's meetings signed and the reports presented to it, and informing the meetings schedule to the members of the Board of Directors before at least three working days, and ensuring the effective access of the Board Members to all the minutes of Board meetings and information concerning the Company.

1.4 The acknowledgment of the independent member of having independence controls:

Tijara considers the independence of Board members an essential advantage towards proper corporate governance. Tijara's standards of independence are consistent with the laws in accordance with the executive regulation of Act No. 7 of 2010 on the establishment of the Financial Markets Authority, the regulation of securities activity and its amendments.

Accordingly, the Board of Directors includes non-executive members and independent members. In addition, the Nomination and Rewards Committee reviews the independence of Board members on an annual basis and verifies that they have the required independence in accordance with the

Company's Terms of Independence Manual, which is approved by the Board of Directors and in line with regulatory requirements (attached the acknowledgment of the independents sent to the Ministry of Trade and Industry).

An acknowledgment by the independent member that they meets the criteria for independence, and a copy of the acknowledgment is attached with the report.

- There is an acknowledgment from the independent member that the conditions for independence are met, according to the fifteenth book of the executive regulations, and this acknowledgment will be attached to the report.

Rule II: Proper identification of tasks and responsibilities

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

2.1 Brief on how the Company defines a policy of the tasks, responsibilities and duties of both Board members and Executive Management as well as the powers and authorities delegated to the Executive Management

The Company defined clearly the functions and responsibilities of the Board of Directors and Executive Management in approved policies and regulations in manner reflects the balance of powers and authorities between the Board of Directors and the Executive Management. The Company's Board of Directors also assumes all the powers and authorities necessary to manage the Company, and the Board holds the ultimate responsibility for the Company even if it forms committees or delegates other entities or individuals to carry out some of its works.

2.1.1 Functions of the Board of Directors;

The main functions of the Company's Board of Directors include, but not limited, the following tasks: -

1. To approve the Company's important goals, strategies, plans and policies, including, at least:
    - The Company's overall strategy and master business plans, in addition to reviewing and directing it.
    - The optimal capital structure and financial objectives of the Company.
    - A clear policy of distributing profits for achieving the interests of shareholders and the Company.
    - Performance goals, execution monitoring, and overall performance in the Company.
    - Company organizational and functional structures and periodic review.
2. To approve annual estimated budgets and approval of interim and annual financial statements.
3. To supervise Company's principal capital expenditures, ownership and disposal of assets.
4. To ensure the Company's compliance with policies and procedures that ensure the Company conformity with the applicable internal rules and regulations.
5. To ensure the accuracy and integrity of data and information to be disclosed in accordance with established disclosure and transparency policies and regulations.
6. To disclose the progress of the Company's activity periodically and all the major developments that have taken place in its business.
7. To establish effective communication channels that allow the shareholders to review regularly

and periodically the various aspects of the Company's activities and any other substantial developments;

8. To develop a specific governance system and overall oversight, monitor its effectiveness, and modify it as needed.
9. Form its own committees according to a charter that explains the duration, validity, and responsibilities of the Committee, and how the Board monitors it, also, the committee form decision includes the nomination of the members, determination of their duties, rights, and responsibilities, in addition to assessing the performance and work of the committees and their principal members.
10. To ensure that the organizational structure of the Company is transparent and clear, allowing for decision-making, achieving the principles of agile governance, and separating powers and authorities between the Board of Directors and the Executive Management. In this regard, the Board shall:
    - Approve and develop the internal regulations and rules concerning the Company's work and subsequent determination of tasks, competencies, duties and responsibilities between different organizational levels.
    - Approve the policy of delegating and carrying out the work of Executive Management.
11. To define the powers delegated to Executive Management, and the decision-making procedures.
12. To oversee and monitor the performance of Executive Management members, ensuring that they perform all of the tasks attributed to them. The Board of Directors shall:
    - Ensure that the Executive Management operates in accordance with the policies and regulations approved by the Board of Directors.
    - Hold periodic meetings with Executive Management to discuss the course of work and its obstacles and problems, as well as to review and discuss important information that is relevant to the activity of the Company.
    - Develop performance standards for Executive Management consistent with the goals and strategy of the Company.
13. To appoint or dismiss any member of the Executive Management and the Chief Executive Officer;
14. To develop a policy regulating the relationship between stakeholders in order to preserve their rights;
15. To establish a mechanism to regulate dealings with relevant parties to reduce the conflict of interest;
16. To ensure the effectiveness and adequacy of the internal control rules applicable in the Company periodically, including the following:
    - Ensure the integrity of financial and accounting rules, including those relevant to the preparation of financial reports;
    - Ensure that appropriate regulatory rules are in place to measure and manage risks, by identifying the range of risks that the Company may face, creating an environment that is familiar with the corporate risk-reduction culture, and communicating them in a transparent manner with the stakeholders and parties relevant to the Company.
17. Develop a plan/policy to incorporate sustainability factors into the Company's overall strategy, master plans of action and risk measurement and management, if required.

2.1.2 Chairman and CEO

The duties and responsibilities of the Chairman and Chief Executive Officer of the Company are clearly and completely separate. Each of the positions is separate and there is a clear division of tasks and responsibilities between the two positions.

2.1.3 Functions and Responsibilities of the Chairman

The Chairman of the Board of Directors is responsible for the proper and effective functioning of the Board of Directors, including the full and timely receipt by the Board and independent members of complete and correct information. The duties and responsibilities of the Chairman, include but not limited:

1. Ensure that the Board discusses all core issues in a timely and effective manner.
2. Representing the Company before third parties, as stipulated in Articles of Association.
3. Encourage all Board members to participate fully and effectively in the conduct of Board affairs to ensure that the Board perform in accordance with the interest of the Company.
4. Ensure the actual communication between the shareholders and that their views are communicated to the Board of Directors.
5. Promote constructive relations and effective participation between the Board and the Executive Management and between executive, non-executive and independent members.
6. Create a culture that encourages constructive criticism about the matters on which there is divergence of views among Board members.

2.1.4 Functions and responsibilities of Executive Management

The Executive Management of the Company is the group of people who are assigned to manage the Company's day-to-day operations. The primary role assigned to the Executive Management is as follows;

- Implement the Company's strategic plans and related internal policies and regulations, and ensure its adequacy and effectiveness.
- Carry out full responsibility for the overall performance and business results by creating a governance structure that promotes accountability and transparency.

The following are some of the functions and responsibilities of Executive Management to be committed in the light of the powers and authorities attributed to it by the Board of Directors:

1. Endeavor to implement all internal policies, regulations and bylaws of the Company, approved by the Board of Directors.
2. Implement the strategy and annual plan approved by the Board of Directors.
3. Prepare periodic (financial and non-financial) reports on the progress of the Company's activity in the light of the Company's strategic plans and objectives, and present them to the Board of Directors.
4. Develop an integrated accounting system that maintains books, records and accounts that accurately reflect the financial statements and income statements in detail, allowing the preservation of the Company's assets and the preparation of balance sheets in accordance with IAS.
5. Manage day-to-day business, conduct business, manage Company resources optimally, maximize profits and reduce expenses in line with Company goals and strategy.
6. Active participation in creating and developing a culture of ethical values within the Company.
7. Develop internal control and Risk Management System, ensure the effectiveness and adequacy of those systems and ensure compliance with the Risk Management approved by the Board of Directors.

2.2 Achievements of the Board of Directors during 2022

The Board's achievements in the financial year ending 31/12/2022 with respect to corporate governance applications were numerous, most notably among them:

- Reviewed, discussed and approved the financial statements of the Company;

- Reviewed and discussed the legal status of the Company and the status of current cases from or against tenants;
- Reviewed and discussed the status of Company-owned real estate and the problems facing these investments;
- Reviewed periodic risk management reports after the discussion by the Risk Management Committee.
- Accepted the resignation of the members of the Board of Directors.
- Formed a new Board of Directors and the Committees of the Board of Directors.
- Discussed the actual performance against the estimated budget.
- Discussed Quality Assurance Report (QAR).
- Approved the Executive Officer's delegation.
- Approved the Emergency Plan update.
- Approved the Succession Plan update.
- Attended a workshop.
- Approved the Human Resources Policy update.

2.3 Brief on the application of the requirements for the formation of independent specialized committees by the Board of Directors:

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

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

1. The Audit Committee (the date of formation and selection of members of the Audit Committee was on 24/03/2022 and the Committee's term is three years from the date of formation corresponding to the term of validity of the Board).
2. The Risk Management Committee (the date of formation and selection of the members of the Risk Management Committee was on 24/03/2022 and the Committee's term is three years from the date of formation corresponding to the term of validity of the Board).
3. The Nominations and Rewards Committee (the date of formation and selection of the members of the Nominations and Rewards Committee was on 24/03/2022 and the committee's term is three years from the date of formation corresponding to the term of validity of the Board).

During 2016, the Company's Board of Directors approved the regulations and rules of work of all Committees, which include defining the tasks of each committee, the duration of its work, the powers granted to it during this period, and how the Board of Directors monitors them in a specific work charter for each committee. The tasks and powers of the Committees have been specified, and they are delegated to the Committees by the Board of Directors. The Board shall review them periodically.

2.3.1 Audit Committee

The Company is fully aware that an independent audit committee is a key feature for the application of agile governance rules. The audit committee works to establish a culture of commitment within the Company by ensuring the safety and integrity of the Company's financial reports, as well as the adequacy and effectiveness of the internal control rules applicable in the Company.

Tijara Audit Committee is fully independent, and all its members are experienced professionals.

The Audit Committee is composed of three members, two of them are independent Board members, and its Head is non-executive Board member, and the representative of the Internal

Audit Office attends meetings periodically, in addition that the representative of the External Auditor attends periodically the Audit Committee's meetings. The Audit Committee is composed of two independent Board members and its Head is a non-executive member of the Board.

The Audit Committee, on behalf of the Board of Directors, monitors matters relating to audit, and therefore has the responsibility to be satisfied that the internal audit is conducted in accordance with the professionalism and that the scope of the work is appropriate.

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

2.3.1.1 Responsibilities and Functions of the Audit Committee

The responsibilities and functions of the Audit Committee shall include, but not be limited to:

1. Review periodic financial statements prior to their presentation to the Board of Directors, and provide opinion and recommendation to the Board of Directors in order to ensure the integrity and transparency of financial reports.
2. Recommend the appointment and reappointment of external auditors to the Board of Directors, replacing them or defining their remuneration, taking into account the assurance of their independence and reviewing their letters of appointment.
3. Monitor the work of external auditors and ensure that they do not provide services to the Company other than those required by the audit profession.
4. Study the observations of the external auditors on the Company's balance sheets and follow up them.
5. Study accounting policies, provide opinions and make recommendations to the Board of Directors on it.
6. Assess the adequacy of internal control rules applicable within the Company and prepare reports containing the Committee's views and recommendations in this regard.
7. Supervise the Company's Internal Audit Office to verify its effectiveness in carrying out the work and tasks specified by the Board of Directors.
8. Recommend the nomination, performance evaluation and reappointment of the Internal Audit Office.
9. Review and approve audit plans proposed by the Internal Audit Office and make observations thereon.
10. Review internal audit report results, and ensure that the necessary corrective actions regarding the observations stated in the reports has been taken.
11. Review the results of the reports of the regulatory bodies and ensure that necessary action has been taken.
12. Ensure that the Company complies with the relevant laws, policies, regulations and instructions.

2.3.1.2 Number of Audit Committee meetings during 2022

The Committee met seven times during 2022 quarterly as follows-

Members	Meeting No.	1	2	3	4	5	6	7
	Meeting date	20/02/2022	09/03/2022	27/04/2022	25/07/2022	19/09/2022	26/10/2022 6B-2022 6A-2022	28/12/2022
	Position							
Anoud Al- Hadhran	Head of the Committee	✓	✓	✓	✓	✓	✓	✓
Abdullah Al-Sabah	Committee member	✓	✓	✓	✓	✓	✓	✓
Saad Faraj	Committee member	✓	✓	✓	✓	✓	✓	✓

2.3.1.3 Brief on Audit Committee Achievements during 2022

- Discussing financial statements and place recommendations.
- Reviewing and recommending the performance and independency of external auditors.
- Reviewing the internal auditor's report and making recommendations.
- Reviewing and discussing current year Internal Audit Plan;.
- Reviewing and discussing the ICR report over the past year.
- Meeting with the external auditor and discussing the Company's separate financial statements.
- Discussing estimated budget.
- Recommending the renewal of the contract with the internal auditor.
- Reviewing the most important regulatory and legislative updates.
- Recommending the renewal of the contract with the Internal Audit Office.
- Discussing the Quality Assurance Report (QAR).

During 2022, the Audit Committee assessed the adequacy of the Company's internal control rules, and the Committee found that the internal control rules applied were sufficient to verify the impact of the Company's risks, and its financial statements fairly reflect the Company's financial performance.

2.3.2 Risk Management Committee

Tijara Risk Committee develops policies and regulations for risk management, consistent with the tendency of the Company to tolerance risk.

The Risk Management Committee is composed of three members, two of them are independent Board members, and its Head is non-executive Board member.

2.3.2.1 Responsibilities and functions of the Risk Committee

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

1. Prepare and review risk management strategies and policies prior to their approval by the Board of Directors, ensure that they are implemented and they are consistent with the nature and size of the Company's activities.

2. Ensure the availability of adequate resources and rules for risk management.
3. Evaluate the rules and mechanisms used for identifying, measuring and following up the different types of risks to which the Company may be exposed, in order to identify its deficiencies.
4. Assist the Board of Directors in determining and assessing the acceptable level of risk in the Company, and ensure that the Company does not exceed this level of risk after approval by the Board of Directors.
5. Review the organizational structure for risk management and make recommendations thereon prior its approval by the Board of Directors.
6. Ensure the independence of Risk Management personnel from activities that result in a Company's risk exposure.
7. Ensure that risk management personnel have a full understanding of the risks which faces the Company, and work to increase personnel awareness and understanding of the risks culture.
8. Prepare periodic reports on the nature of the risks to which the Company is exposed and submit such reports to the Company's Board of Directors.
9. Review issues raised by the Risk Audit Committee that may affect the Company's Risk Management.

2.3.2.2 Number of Risk Committee meetings during 2022

The Risk Committee shall hold periodic meetings at least four times annually, as well as whenever required, and shall record the minutes of its meetings.

The Committee met four times during 2022 as follows:

Members	Meeting No.	1	2	3	4
	Meeting date	20/02/2022	27/04/2022	25/07/2022	26/10/2022
	Position				
Saad Faraj	Head of the Committee	✓	✓	✓	✓
Tareq Al-Othman	Committee member	✓	✓	✓	✓
Anoud AlHathran	Committee member	✓	✓	✓	✓

2.3.2.3 Brief on Risk Committee Achievements during 2022

- Reviewing periodic risk report.
- Measuring risk level to assist the Board in determining and assessing an acceptable risk level for the Company.
- Discussing the related transaction report.
- Evaluating the internal control rules and mechanisms to identify and control various risks to which a Company may be exposed.

- Assisting the Board in identifying and evaluating an acceptable level of risk, to ensure that the Company does not exceed this level of risk after approval by the Board of Directors.

2.3.3 Nominations and Rewards Committee

The availability of professional expertise and technical capabilities, as well as personal and ethical qualities in the person who is nominated for membership in the Board of Directors or Executive Management of the Company, is one of the main principles of the financial safety of the Company and an important element in preventing the Company from risks, in addition, the establishment of fair financial rewards contributes fundamentally in the recruitment of highly qualified and professional personnel, in addition to the establishment of the principle of loyalty to the Company and thus preserving good cadres and motivating workers of various professional levels to work to achieve the Company's goals and raise its status.

The Nominations and Rewards Committee is composed of three members, one of them is an independent member of the Board of Directors, and its Head is a non-executive member of the Board of Directors.

2.3.3.1 Nomination and Remunerations Committee's Roles and Responsibilities.

The Nomination and Remunerations Committee's Roles and Responsibilities shall include, but are not limited to the following:

1. Recommending nomination and re-nomination acceptance for membership of the Board of Directors, Board Committees and Executive Management, bearing in mind not to nominate anyone who fails to meet regulatory requirements, and taking into account the number of attendance, quality and effectiveness of the members' contribution in the Board meetings, and the performance of their duties and responsibilities.
2. Annual review of the required proper skills needs for Board membership. This in addition to appropriate skills for the membership of the Board of Directors, as well as attracting applications for those wishing to fill executive positions as needed, and studying and reviewing those applications
3. Preparing the job descriptions of the executive, non-executive and independent members.
4. Proposing nomination and re-nomination of independent members to be elected at the General Assembly, and ensuring the continued applicability of independency of the independent Board member.
5. Establishing a clear policy for Remunerations for Board members and senior executives.
6. Periodic review of the policy of granting remunerations and assessing its effectiveness in achieving its intended goals of attracting human cadres and keeping professional staff and technical capabilities necessary to raise the Company's profile.
7. Preparing the remunerations report on an annual basis, which includes the total remunerations given to Board members, Executive Management and Managers; whether cash, benefits, or privileges, of whatever nature and title, directly or indirectly through the Company or Subsidiary Companies.

2.3.3.2 Number of Nomination and Remunerations Committee's Meetings During 2022

The Nominations and Remunerations Committee shall hold periodic meetings, at least once a year, and record the minutes of its meetings, as needed.

During 2022, the Committee met as follows:

Members	Meeting No.	1
	Meeting date	20/02/2022
	Position	
Yasmine Al-Sabah	Head of the Committee	✓
Tareq Al-Othman	Committee member	✓
Saad Faraj	Committee member	✓

2.3.3.3 Brief on the Nomination and Remunerations Committee's achievements during 2022

During 2022, the Nomination and Remunerations Committee made several effective recommendations in order to strengthen and lay the Company's Corporate Governance Framework, for example, but not limited to the following:

- Discussing the governance report, which contains the total remunerations given to Board members, Executive Management and Managers; whether cash, benefits, or privileges, of whatever nature and title, directly or indirectly through the Company or Subsidiary Companies.
- Reviewing the performance evaluation of the Board members, the CEO and the sub-committees.
- Reviewing and ensuring the independence of independent members.
- Discussing the remunerations report.
- Verifying that there are no cases of conflict of interest among the Board members.
- Reviewing the competency and integrity declarations of Board members.

2.4 Summary of how to apply requirements that allow Board members to obtain accurate and timely information and data:

In order to ensure flow of information between the Executive Management and the Board of Directors, the latter has developed a policy regulating the access of Board members to financial statements and any reports from the Company's departments by submitting periodic reports to the Board on the performance of the executive body. Any member of the Board of Directors shall be entitled to request any information or report from any department and to coordinate through the Board Secretary as regulated by the above policy, through a package of periodic reports submitted to the Board of Directors and committees.

Rule III: Recruiting Highly Qualified Candidates for Membership of the Board of Directors and Executive Management

The Company has clear mechanisms for recruiting members of the Board of Directors and

Executive Management. The Nomination and Remunerations Committee is playing a pivotal role in order to ensure that highly qualified candidates are recruited for the membership of the Board of Directors and the Executive Management.

The Company's Competency and Integrity Rules Guide represents the minimum requirements that must be met by the members of the Board of Directors and the Executive Management who are nominated for the Company. This guide has been developed in accordance with the best practices and in line with the regulatory authorities' requirements. The Nominations and Remunerations Committee shall review the required skills requirements for membership of the Board of Directors and Executive Management on an annual basis.

3.1 Brief on applying the requirements for forming the Nominations and Remuneration Committee:

In addition to what is mentioned in Clause (2.3.3), the Nominations Committee complies with all the regulatory requirements in terms of the forming procedures, meetings and the execution of tasks entrusted thereto and therefrom, including, but not limited to, the following:-

- Preparing a governance report on an annual basis that includes the total remunerations given to Board members, Executive Management and Managers; whether cash, benefits, or privileges, of whatever nature and title, directly or indirectly through the Company or Subsidiary Companies.
- Reviewing the performance evaluation of the Board members, the CEO and the sub-committees.
- Verifying that there are no cases of conflict of interest among the Board members.
- Ensuring the availability of the appropriate level of training and familiarization for the members of the Board of Directors and the Executive Management.

3.2 Report of remunerations granted to Board Members, Executive Management, and Managers

3.2.1 Summary of the Company's Remunerations And Incentives Policy for Board Members, Executive Management, and Managers:

The Company grants its employees benefits and remunerations to motivate them to achieve the best results. These remunerations shall be disbursed at the Company's own will and shall not be deemed an obligation or an acquired right. Accordingly, the employee may not in any way claim their disbursement or compensation thereto, shall the Company stop providing them.

- The Company may pay performance incentives or remunerations whether on a monthly, quarterly, semi-annual or annual basis.
- The Company shall be exclusively entitled to determine the amount of the remunerations, whether the Company has determined them according to specific criteria or if these criteria are associated with the realization of a particular program or with extraordinary effort.
- Remuneration shall be fully associated with the results of staff assessment.
- The disbursement of any remuneration shall be subject to the applicable policy.
- The disbursement of any remuneration shall not constitute an obligation for the Company to disburse it again. The Company shall be entitled to suspend, increase, or reduce the remuneration disbursement through a recommendation from the Remunerations Committee and shall be submitted to the Board of Directors for approval.
- In the event that the Company does not achieve any profits, the Company may distribute

remunerations, with the exception and recommendation of the Remunerations Committee and the approval of the Board of Directors.

3.2.2 Listing the following data:

Remunerations and Benefits for Board Members							
Total members	Remunerations and benefits through Parent Company			Remunerations and benefits through subsidiaries			
	Fixed remunerations and benefits (KWD)	Variable remunerations and benefits (KWD)		Fixed remunerations and benefits (KWD)		Variable remunerations and benefits (KWD)	
	Health Insurance	Annual Remuneration	Committees' Remunerations	Health Insurance	Total monthly salaries during the year	Annual Remuneration	Committees' Remunerations
5	0	30,000	0	N/A	N/A	N/A	N/A

The total remunerations and benefits awarded to five senior executives who have received the highest remunerations, in addition to the CEO and the Chief Financial Officer or their representative, if not included											
Total number of executive positions	Remunerations and Benefits through Parent Company						Remunerations and benefits through subsidiaries				
	Fixed remunerations and benefits (KWD)			Variable remunerations and benefits (KWD)			Fixed remunerations and benefits (KWD)				Variable remunerations and benefits (KWD)
	Total monthly salaries during the year	Annual Tickets	Social securities	Health insurance	Communications Allowance	Annual Remuneration	Total monthly salaries during the year	Health Insurance	Annual Tickets	Social Insurance	Annual Remuneration
7	383,857	7,300	22,065	9,242	1,418	88,929	N/A	N/A	N/A	N/A	N/A

3.2.3 Any significant deviations from the remunerations policy adopted by the Board of Directors:

During 2022, there were no conflicts between the recommendations of the Nominations and Remunerations Committee and the Board decisions.

Rule IV: Ensuring the Integrity of Financial Reports

The integrity of the Company's financial statements is one of the important indicators of the Company's integrity and credibility in presenting its financial position, which increases investors' confidence in the data and information provided by the Company, and allows shareholders to exercise their rights. Therefore, the Company has put in place clear mechanisms to ensure the soundness and integrity of its data.

4.1 Written commitments of the Board of Directors and Executive Management to the soundness and integrity of financial reports:

- The Executive Management has made a written statement to the Board of Directors certifying that Tijara's financial reports are presented soundly and fairly, and state all the financial aspects of the Company. They further certify that the financial data are prepared according to the international accounting standards approved by the Capital Market Authority and that the Executive Management is fully responsible for the validity and accuracy of these data.
- In turn, Tijara's Board of Directors undertakes to its shareholders through this report to present its financial statements in a sound, fair and accurate manner to shareholders and investors.

4.2 Brief on applying the Audit Committee's formation requirements:

In addition to what is indicated in Clause (2.3.1), the Audit Committee complies with all the regulatory requirements in terms of the forming procedures, meetings and the execution of tasks entrusted thereto and therefrom, including, but not limited to, the following:-

- The Committee reviewed the periodic financial statements before their submission to the Board of Directors and expressed an opinion and recommendation thereon to the Board of Directors with the aim of ensuring the fairness and transparency of the financial reports.
- The Committee evaluated the 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 supervised the Company's Internal Audit Office in order to verify its effectiveness in carrying out the roles and tasks specified by the Board of Directors.
- The Committee reviewed and approved the audit plans proposed by the Internal Auditor.
- The Committee reviewed the results of the internal audit reports, and ensured that the necessary corrective measures were taken regarding the observations contained in the reports.
- The Committee verified the Company's compliance with relevant laws, policies, systems and instructions.
- The Committee verified the auditors' independency and reviewed their letters of appointment.

4.3 During 2022, there were no cases of conflict between the recommendations of the Audit Committee and the Board decisions.

4.4 Emphasis on the Independence and Impartiality of the External Auditor

Tijara has a well-established and clear policy on the appointment and recruitment of the External Auditor to ensure the independence and impartiality of the external auditor.

During 2022, Tijara's Audit Committee verified the independence and impartiality of the Auditor in accordance with the requirements of the Company's internal policies and regulations and in accordance with the requirements of the regulatory authorities, including, but not limited to:-

- It was confirmed that the External Auditor is independent from the Company and its Board of Directors, and that he does not carry out any additional assignments for the Company related to reviewing and auditing activities, which may affect impartiality or independence of the External Audit.

- It was confirmed that d that Auditors are listed in the special register with the Capital Markets Authority, so that they fulfill all the conditions stipulated in the requirements of the Capital Markets Authority's decision regarding the rules for registering the auditors.
- The Auditor attended the Audit Committee's meetings to discuss his views with the Audit Committee before submitting the interim and annual financial statements to the Board of Directors to decide upon.
- It has been verified that the External Auditor is able to attend the General Assemblies' and read the report prepared by the same to the shareholders.

Rule V: Development of Sound Systems of Risk Management and Internal Controls

5.1 Brief statement on the implementation of the Risk Management Committee's formation requirements:

The Company has an independent risk management structure according to the Company's organizational structure. The Company's risk management is preliminarily engaged in measuring, following up, and minimizing all types of risks facing the Company, as follows (but not limited to):

- Developing effective systems and procedures for managing the Company's risks, in order for the Company to be able to perform its main tasks to measure and follow up all types of risks to which it is exposed, provided that this process is carried out continuously and reviewed periodically and that systems and procedures are modified when needed.
- Developing periodic reporting systems, as they are an important tool in monitoring risks and reducing their occurrence.

The risk managers shall have independence by reporting directly to the Risk Management Committee emanating from the Company's Board of Directors. In addition, they shall have a significant amount of authority enabling them to properly perform their roles without granting them financial powers and authority.

5.2 Introduction to Requirements for Forming the Risk Management Committee:

In addition to what is mentioned in clause (2.3.2), the Risk Committee complies with all the regulatory requirements in terms of the forming procedures, meetings and the execution of tasks entrusted thereto. Below are its main tasks:

- Preparing and reviewing risk management strategies and policies and submitting them to the Board of Directors for approval.
- Ensuring the availability of adequate resources and systems to manage risks.
- Preparing periodic reports on the nature of the risks to which the Company is exposed.

5.3 Internal Control Systems:

Tijara is always striving to develop the principles of internal control, and in the context of that, we have done the following:

- Detailed identification of authorities and responsibilities through policies and procedures, and ensuring their circulation among departments to achieve business credibility and achieve efficiency and effectiveness of operational processes.
- A detailed list of powers approved by the Board of Directors, and the Company was to completely separate the tasks assigned to each department and to ensure that there is no conflict of interest.

- It was also keen to cover the internal audit of some of the Company's departments during 2022 and follow up the taken decisions to address the Internal Auditor's observations, and work is underway on the rest of the departments.

5.4 Brief statement on implementing the requirements for the formation of the Internal Audit Office:

The Company contracted with an independent Internal Audit Office and recruited an internal Audit Coordinator. The Company also commissioned an Independent Audit Office to evaluate and review internal control systems and preparing a report (ICR).

Reports include, but are not limited to, the following:

- Procedures for controlling and supervising the efficiency and effectiveness of the internal control systems necessary to protect the Company's assets, the validity of the financial data, and the efficiency of its operations in its administrative, financial and accounting aspects.
- Comparing the development of risk factors in the Company and the existing systems to assess the efficiency of the Company's daily business, and to face unexpected changes in the market.
- Evaluating the Executive Management's performance in implementing internal control systems.

The Company also contracted with an Independent Auditing Office to evaluate the performance of the Internal Audit Office and prepare a report during 2022. The report was presented to the Audit Committee and to the Company's Board of Directors.

Rule VI: Promoting Professional Behavior and Ethical Values

Promoting a culture of professional behavior and ethical values within the Company is one of the main pillars for carrying out the Company's business. Therefore, the Company pays attention to the need to verify that all the Company's employees, whether Board members, Executive Management, or other employees, comply with the Company's policies and internal regulations and the legal and regulatory requirements by reviewing the Code of Conduct and Ethics, in addition to reviewing the manual for mechanisms to reduce conflicts of interest, as we are convinced that they will lead to the realization of the interests of all parties related to the Company, especially the shareholders, without conflict of interest and with a great degree of transparency.

6.1 Summary of the Code of Conduct containing standards and parameters of professional conduct and ethical values:

In order for Tijara to ensure that the members of its Board of Directors and the employees of its executive staff are committed to performing their work in the best way to enhance the Company's image and to achieve its objectives, the Company has developed a Code of Conduct that aims to guide and provide members of the Board of Directors with standards of professional conduct and work ethics, avoiding cases of conflict of interest and organizing operations with related parties. All members of the Board of Directors and employees of the executive staff signed a pledge and declaration of commitment to the Code of Conduct.

6.2 Summary of policies and mechanisms on reducing conflicts of interest:

The Company has a clear policy to reduce conflict of interest, adopted by the Board of Directors. During 2022, all Board members signed the annual declaration on compliance with the Conflict of Interest Reduction Measures.

Rule VII: Timely and High-Quality Disclosure and Transparency

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

7.1 Summary of implementing accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure

Tijara has an approved guide to policies and mechanisms for disclosure and transparency, which includes, but is not limited to, the following:

- Methods of disclosure of financial and non-financial information and data related to the Company's financial position, performance and ownership.
- How to disclose, in the utmost transparency, all information and data in a timely manner to all stakeholders without discrimination, provided that the data and information are accurate, correct and not misleading.
- Classifying the disclosed information in terms of its nature (financial information, non-financial information), or in terms of the periodicity of its disclosure, in addition to material information.

Transparency and disclosure policies and procedures have been set in accordance with the best international practices and in line with all the requirements of the regulatory authorities.

7.2 Overview of Company's practice of keeping a register of disclosures related to Board Members, Executive Management and Managers:

The Company maintains a special register that contains the disclosures of members of the Board of Directors, the Executive Management and Managers, including all transactions and declarations that reflect the reality of the situations of the related parties. The register is made available to be reviewed by all the Company's shareholders, without any fee or charge. The Company updates the data of this register periodically.

7.3 Overview of forming the Investors Affairs Regulation Unit

The Company has an Investors Affairs Regulation Unit, which is responsible for making available and providing the necessary data, information and reports to its potential investors. The Unit has appropriate independence (according to the organizational structure approved by the Board of Directors), in a way that allows it to provide information and reports in a timely and accurate manner, through the recognized means of disclosure, including but not limited to the Company's website.

7.4 Overview of how to develop the IT infrastructure, and the extent to which it is relied upon in disclosure processes

The Company is constantly striving to create means and channels to communicate with shareholders, investors and stakeholders, and the Company is updating the Company's website to display all recent information and data that help current and potential shareholders and investors to exercise their rights and evaluate the Company's performance.

Rule VIII: Respect for Shareholders' Rights

The Company's Corporate Governance Framework ensures that shareholders exercise their basic rights with a great deal of justice and equality to ensure equal treatment for all shareholders, which is clearly stated in the Company's articles of association and internal regulations, in addition to updating the participation mechanisms in the General Assembly meetings of shareholders to ensure that all shareholders are encouraged to participate and vote.

8.1 Overview of the requirements for defining and protecting the general rights of shareholders to ensure justice and equality among all shareholders

The Company's articles of association and internal regulations clearly set out the procedures and controls necessary to ensure that all shareholders exercise their rights in a manner that achieves justice and equality, and in a way that is not in conflict with the laws and regulations in force, and the decisions and directives issued in this regard.

8.2 Overview on forming the shareholders register held by the clearing agency

The Company shall maintain a special register to be held by the clearing agency that includes the names, nationalities and domiciles of shareholders, and the number of shares owned by each of them. This register is updated with any changes to the data recorded therein, according to the data received by the Company or the clearing agency.

8.3 Overview on the methods of encouraging shareholders to participate and vote in the Company's General Assembly meetings

The Company has policies and procedures approved by the Board of Directors and in line with all regulatory requirements, which include in detail the mechanism of participation in the meetings of the General Assembly of shareholders and the procedures for convening the Assembly in a manner that guarantees the following:

- Allowing the shareholders to actively participate in the meetings of the General Assembly, to discuss the topics listed on the agenda and related inquiries related to the various aspects of activity, and to direct questions in this regard to the Board members and the external auditor. The Board of Directors or the External Auditor shall answer the questions to the extent that does not expose the Company's interests to harm.
- Enabling shareholders who own five percent of the Company's capital to add items to the agenda of the General Assembly meetings.
- Allowing shareholders to view all data contained in the register of disclosures of members of the Board of Directors and members of the Executive Management.
- The topics presented to the General Assembly shall be accompanied by sufficient information to enable the shareholders to make their decisions properly.

As for the voting mechanisms, the Company has mechanisms approved by the Board of Directors and in line with all regulatory requirements to ensure that all shareholders have the opportunity to exercise the right to vote without putting any obstacles leading to the ban on voting, as voting is an inherent right of the shareholder and cannot be revoked in any way.

Rule IX: Realizing the Role of Stakeholders

The Company believes that stakeholders' contributions constitute a very important resource for building its competitiveness and strengthening its levels of profitability, so it supports all means of cooperation with stakeholders. The Company has a praiseworthy policy that guarantees protection and recognition of the stakeholders' rights and encourages them to follow up the Company's various activities.

9.1 Overview of the systems and policies that guarantee the protection and recognition of the stakeholders' rights:

Tijara is committed to protecting the stakeholders' rights and creating opportunities for operation and continuity through sound financial projects, and this is within the policy to ensure that the Company respects and protects the stakeholders' rights stipulated in the relevant laws in force in Kuwait, which provides stakeholders with the opportunity to obtain actual compensation in the event of violation of any of their rights. The policy defines stakeholders as shareholders, regulators, customers, employees and related parties.

The Company is keen to address all the stakeholders' rights in a fair and equal manner, and the Company's dealings also guarantee the achievement of fair treatment without any discrimination with Board members, related parties and stakeholders. The Company also guarantees stakeholders appropriate compensation in the event that their rights mentioned in the official contracts signed with them or approved by the regulations in general are violated.

9.2 Overview of how shareholders are encouraged to participate and vote in the Company's Assemblies:

In the context of the Company's encouragement to stakeholders to participate in following up the Company's business and any developments in its business, the Company shall provide stakeholders with any data related to their activities to be relied upon when needed.

The Company has also developed a reporting policy that allows any stakeholder to communicate his complaint to the Board of Directors, which ensures that stakeholders are not subjected to any harassment.

Rule X: Performance Enhancement and Improvement

Out of keenness to improve the Board's performance and strengthen its decisions, the Company evaluated the performance of the Board, the Board and the members of the Executive Management through an individual questionnaire for the members, according to the best international practices for analyzing the questionnaires and developing paths that we focus on during the year to develop and grow the Board's performance.

10.1 Overview of developing requirements for establishing mechanisms which allow all Board Members and Executive Management to receive continuous programs and training courses

The Company has mechanisms that allow it to pay attention to the training aspects of each of the Board members and the Executive Management, through the development of induction programs for the newly appointed members, in addition to the existence of plans for training programs in a way that helps in performing the tasks entrusted to them.

10.2 Briefing on Board of Directors and Executive Management' Performance Evaluation Collectively and Individually

The Company has a clear policy approved by the Board of Directors regarding performance evaluation, including objective KPIs clearly and in writing. During 2022, an evaluation was conducted for all members of the Board of Directors and the Executive Management in addition to the Board of Directors Collectively. These evaluations were reviewed by the Nominations and Remunerations Committee.

10.3 Overview on the efforts of the Board of Directors to create institutional values among the Company's employees, through achieving strategic goals and improving performance rates

The Company's board of directors works to create values within the Company in the short, medium and long term, by setting mechanisms and procedures that work to achieve the Company's strategic objectives, and improve performance rates, which contributes effectively to the creation of institutional values among employees and motivates them to work continuously to maintain the Company’s financial health.

The Company is also working on the continuous development of its internal integrated reporting systems in order to become more comprehensive, as this helps each of the members of the Board of Directors and the Executive Management to make decisions in a systematic and sound manner, thus achieving the shareholders’ interests.

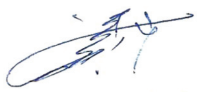
Rule XI: Importance of Social Responsibility

11.1 Summary of a policy that ensures achieving a balance between the objectives of the Company and society:

The Company believes in its responsibility towards society and is committed to contributing to its development as much as its capabilities allow, by working to attract national labor, improving the living conditions of the workforce and their families, and allocating a percentage of the Company’s profits to direct it towards social services and projects.

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

Social responsibility includes the Company’s employees and the society. It also focuses on fair treatment upon recruitment and responsibility related to health and safety due to the nature of the Company, in addition to the responsibility to preserve the environment. During 2022, the Company supported the Association of Students of the College of Engineering and Petroleum in Kuwait, as the Company believes that the human capital, especially young people, is the real investment.



Mr. Tariq Farid Al-Othman

Vice-Chairman of the Board

Report of Audit Committee

For Fiscal Year Ended on December 31st 2022

* The Audit Committee is composed of:

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

* Meetings and Accomplishments of the Committee:

During 2022, the Commission held seven meetings, and its accomplishments included:

- Discussing financial statements and making recommendations.
- Recommending the renewal of the contract with the internal auditor and the internal control audit office.
- Reviewing and discussing the ICR report over the past year.
- Reviewing accounting policies with external auditor.
- Discussing the estimate budget.
- Reviewing the internal auditor's report and making recommendations.
- Reviewing and making recommendations based on the performance and independence of external auditors.
- Reviewing and discussing this year's internal audit plan.
- Reviewing the most important regulatory and legislative developments.
- Discussing the Quality Assurance Report (QAR).

* The Committee's Opinion on the Company's Internal Control Environment:

In 2022, the Committee followed up and oversaw the internal audit work based on the risk assessment, and the Committee therefore believes that the Internal Audit Office has completed all work and audited all of the Company's departments and that the Company has an adequate and effective oversight environment, as no substantive gaps and significant failures were identified during the year or in the application of internal control systems.

The Committee also noted that the executive body was keen to apply internal control mechanisms and systems to ensure the protection of the Company's assets, the validity of financial statements, efficient functioning of the Company's operations and the financial and administrative efficiency of its aspects.

Anoud Al-Hadhran	**Saad Naser Faraj**	**Abdullah Ali Al-Khalifa Al-Sabah**
Head	Member	Member

Date: 21/07/1444 AH

Corresponding to: 12/02/2023

Report of Sharia Audit

For the Financial Period 1/1/2022-31/12/2022

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 1/1/2022-31/12/2022 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:

1. Contracts, processes and transactions made by the Company during the period 1/1/2022 till 31/12/2022, were made according to Islamic sharia provisions.
2. The responsibility of paying ZAKAT lies with the shareholders.

Thanks be to Allah

Sharia Audit Authority Director	Sharia Audit Authority Member	Sharia Audit Authority Member
Dr. Abdullatif AlAwadi	**Prof. Mohammad Mansour**	**Dr. Mohammad Alhadiyia**

EY
Building a better working world

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 2022, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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 2022 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 2022. 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 6 to the consolidated financial statements.

Other information included in the Group's 2022 Annual report
Management is responsible for the other information. Other information consists of the information included in the Group's 2022 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.

EY
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)

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.

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.

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 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 2022, 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 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

8 February 2023
Kuwait

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022**	2021
		KD	KD
Rental income	3	**3,960,027**	3,895,628
Other services and operating income	3	**17,530**	24,580
Property operating expenses		**(285,404)**	(273,021)
Realised gain from sale of investment properties	6	**430,000**	-
Change in fair value of investment properties	6	**1,250,722**	230,351
Net investment properties income		**5,372,875**	3,877,538
Sale of inventory properties		**452,220**	-
Cost of sales of inventory properties		**(251,905)**	-
Net inventory properties income		**200,315**	-
Share of results of an associate	5	**(860,827)**	156,248
Net gain on investment		**(860,827)**	156,248
Administrative expenses		**(1,148,744)**	(1,071,707)
Foreign exchange gain (loss)		**66,732**	(24,569)
Other income		**421**	5,956
Operating profit		**3,630,772**	2,943,466
Finance costs		**(1,221,662)**	(1,006,628)
Expected credit losses on tenant receivables		**(138,773)**	(342,834)
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		**2,270,337**	1,594,004
KFAS		**(20,433)**	(14,346)
NLST		**(62,239)**	(50,705)
Zakat		**(24,895)**	(20,282)
Board of directors' remuneration		**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**2,132,770**	1,478,671
BASIC AND DILUTED EARNINGS PER SHARE	4	**5.76 fils**	4 fils

The attached notes 1 to 14 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 2022

	Note	2022 KD	2021 KD
PROFIT FOR THE YEAR		**2,132,770**	1,478,671
Other comprehensive (loss) income:			
Item that are (or) may be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments of foreign operations		**75,256**	(16,244)
Foreign currency translation adjustments of an associate	5	**90,599**	(21,142)
Other comprehensive (loss) income for the year		**165,855**	(37,386)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,298,625**	1,441,285

The attached notes 1 to 14 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 2022

	Notes	**2022**	2021
		KD	KD
ASSETS			
Bank balances and cash		**5,785,411**	4,627,469
Accounts receivable and prepayments		**375,848**	565,216
Inventory properties		**282,621**	534,526
Investment in an associate	5	**7,118,600**	8,133,453
Investment properties	6	**61,527,033**	60,612,161
Property and equipment		**26,610**	15,056
TOTAL ASSETS		**75,116,123**	74,487,881
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accruals		**1,089,825**	973,230
Islamic financing payables	7	**31,543,150**	32,300,564
Employees' end of service benefits		**1,125,523**	1,045,087
Total liabilities		**33,758,498**	34,318,881
Equity			
Share capital	8	**37,000,000**	37,000,000
Statutory reserve	8	**813,310**	586,276
General reserve	8	**813,310**	586,276
Share options reserve		**142,253**	142,253
Foreign currency translation reserve		**372,634**	206,779
Treasury shares reserve	8	**18,132**	18,132
Retained earnings		**2,197,986**	1,629,284
Total equity		**41,357,625**	40,169,000
TOTAL LIABILITIES AND EQUITY		**75,116,123**	74,487,881

Tareq Fareed Al-Othman
Vice Chairman and Executive President

The attached notes 1 to 14 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 2022

	Share capital	Statutory reserve	General reserve	Share options reserve	Foreign currency translation reserve	Treasury shares reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2022	**37,000,000**	**586,276**	**586,276**	**142,253**	**206,779**	**18,132**	**1,629,284**	**40,169,000**
Profit for the year	-	-	-	-	-	-	**2,132,770**	**2,132,770**
Other comprehensive income for the year	-	-	-	-	**165,855**	-	-	**165,855**
Total comprehensive income for the year	-	-	-	-	**165,855**	-	**2,132,770**	**2,298,625**
Transfer to reserves	-	**227,034**	**227,034**	-	-	-	**(454,068)**	-
Dividends (Note 8)	-	-	-	-	-	-	**(1,110,000)**	**(1,110,000)**
At 31 December 2022	**37,000,000**	**813,310**	**813,310**	**142,253**	**372,634**	**18,132**	**2,197,986**	**41,357,625**
At 1 January 2021	37,000,000	426,876	426,876	142,253	244,165	18,132	469,413	38,727,715
Profit for the year	-	-	-	-	-	-	1,478,671	1,478,671
Other comprehensive income for the year	-	-	-	-	(37,386)	-	-	(37,386)
Total comprehensive (loss) income for the year	-	-	-	-	(37,386)	-	1,478,671	1,441,285
Transfer to reserves	-	159,400	159,400	-	-	-	(318,800)	-
At 31 December 2021	37,000,000	586,276	586,276	142,253	206,779	18,132	1,629,284	40,169,000

The attached notes 1 to 14 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 2022

	Notes	2022 KD	2021 KD
Operating activities			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		**2,270,337**	1,594,004
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Expected credit losses on tenant receivables		**138,773**	342,834
Realized gain on sale of inventory properties		**(200,315)**	-
Share of results of an associate	5	**860,827**	(156,248)
Realized gain from sale of investment properties	6	**(430,000)**	-
Change in fair value of investment properties	6	**(1,250,722)**	(230,351)
Depreciation		**10,534**	10,729
Provision for employees' end of service benefits		**108,302**	102,345
Finance costs		**1,221,662**	1,006,628
Foreign exchange (gain) loss		**(66,732)**	24,569
		2,662,666	2,694,510
Working capital adjustments:			
Accounts receivable and prepayments		**55,049**	(251,780)
Accounts payable and accruals		**(35,353)**	82,104
Cash flows from operations		**2,682,362**	2,524,834
Employees' end of service benefits paid		**(27,866)**	(15,498)
Net cash flows from operating activities		**2,654,496**	2,509,336
Investing activities			
Proceeds from sale inventory properties		**452,220**	-
Proceeds from capital redemption of investment in an associate		**244,625**	173,367
Additions to investment properties		**(3,508,872)**	-
Proceeds from sale of an investment properties		**4,450,000**	-
Additions to property and equipment		**(22,088)**	(12,963)
Net cash flows from investing activities		**1,615,885**	160,404
Financing activities			
Dividends paid		**(1,097,541)**	(20,989)
Finance costs paid		**(1,389,631)**	(810,754)
Repayment of Islamic financing payables		**(627,299)**	(1,083,094)
Net cash flows used in financing activities		**(3,114,471)**	(1,914,837)
NET INCREASE IN BANK BALANCES AND CASH		**1,155,910**	754,903
Net foreign exchange difference		**2,032**	(9,780)
Bank balances and cash at 1 January		**4,627,469**	3,882,346
BANK BALANCES AND CASH AT 31 DECEMBER		**5,785,411**	4,627,469
Non-cash transactions			
Inventory properties		**-**	(74,206)
Investment properties		**-**	74,206

The attached notes 1 to 14 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 2022

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the board of directors on 8 February 2023. 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 2021 were approved by the shareholders of the Parent Company in the annual general assembly meeting held on 23 March 2022.

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

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

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

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name of company	Equity interest		Country of incorporation	Activities
	2022	2021		
Madar Al Kuwait Trading and Contracting Company - Single Person Company	**100%**	100%	Kuwait	General trading
Tilal Real Estate Company W.L.L.*	**100%**	95%	Saudi Arabia	Real Estate

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

1 Corporate And Group Information (Continued)

1.2 Group Information

that the Parent Company is the beneficial owner.

b) Associate

Set out below are the associate of the Group as at 31 December. For more details, refer to Note 5.

	Country of	Equity interest as at 31 December		
		2022	2021	
Name of company	Incorporation	%	%	Principal activities
Al Madar Al Thahabia Company W.L.L. ("Al Madar")	Kingdom of Saudi Arabia	**24**	24	Sale, purchase, rent and lease of real estate properties and lands

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPERATION

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

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

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

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 14.

2.2 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 2022.

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);

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.3 Changes In Accounting Policies And Disclosures (Continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counter-party under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting year.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts outstanding within the scope of these amendments arisen during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.3 Changes In Accounting Policies And Disclosures (Continued)

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.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

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

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Company's financial instruments during the period.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.4 Standards Issued But Not Yet Effective (Continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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

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.

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.4 Standards Issued But Not Yet Effective (Continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

2.5 SIGNIFICANT ACCOUNTING POLICIES

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.

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.5 Significant Accounting Policies (Continued)

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.

Other service and operating income

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

Finance costs

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

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

Foreign currencies

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

i) Transactions and balances

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

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

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

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.5 Significant Accounting Policies (Continued)

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

ii) Group companies

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

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

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

Zakat

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

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.5 Significant Accounting Policies (Continued)

Financial instruments – initial recognition, subsequent measurement and derecognition

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

(I) Financial assets
Initial recognition and measurement

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

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

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

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

Financial assets at amortised cost

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

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

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.5 Significant Accounting Policies (Continued)

Financial Instruments – Initial Recognition, Subsequent Measurement And Derecognition (Continued)

Financial Assets At Amortised Cost (Continued)

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

Derecognition

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

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

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

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

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

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

Impairment of financial assets

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

For tenant receivables, the Group applies a simplified approach in calculating ECLs. Therefore,

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.5 Significant Accounting Policies (Continued)
Financial Instruments – Initial Recognition, Subsequent Measurement And Derecognition (Continued)
Impairment of financial assets (Continued)

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

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

(II) Financial liabilities

Initial recognition and measurement

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

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

All financial liabilities are recognised initially at fair value and, with the exception of derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement

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

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

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

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.5 Significant Accounting Policies (Continued)
(II) Financial Liabilities (Continued)
Subsequent Measurement (Continued)

Islamic financing payables depends on each products as follows:

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

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

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

Derecognition

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

Offsetting of financial instruments

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

Inventory properties

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

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

- Freehold and leasehold rights for land
- Amounts paid to contractors for development

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.5 Significant Accounting Policies (Continued)
(II) Financial Liabilities (Continued)
Inventory Properties (Continued)

- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

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

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

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but, is not control or joint control over those policies.

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

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

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.5 Significant Accounting Policies (Continued)

Investment in an associate (Continued)

at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

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

Investment properties

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

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

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

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

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.5 Significant Accounting Policies (Continued)

financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

Impairment of non-financial assets

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

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

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

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

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.

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 2022

2 Basis Of Preperation And Significant Accounting Policies (Continued)

2.5 Significant Accounting Policies (Continued)

Provisions

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

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

Contingencies

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

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

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

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.

Earnings per share (EPS)

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

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

2 Basis Of Preperation And Significant Accounting Policies (Continued)
2.5 Significant Accounting Policies (Continued)

Dividend distribution

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

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

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers, distribution methods and nature of regulatory environment where appropriate are aggregated and reported as reportable segments.

Fair value measurements

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 2022

2.5 Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

- 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.

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.

Significant judgements

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

Classification of real estate properties

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

Classification of financial assets

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

Estimates and assumptions

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

Impairment of financial assets at amortised cost

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

Impairment of an associate

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

Valuation of investment properties

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

Investment properties are measured based on estimates prepared by independent real estate valuation experts. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 6.

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 2022

3 REVENUE

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

	2022 KD	2021 KD
Types of revenue:		
Rental income*	**3,960,027**	3,895,628
Other services and operating income	**17,530**	24,580
	————	————
	3,977,557	3,920,208
	════	════
Timing of revenue recognition:		
Revenue recognised over time	**3,960,027**	3,895,628
Revenue recognised at point in time	**17,530**	24,580
	————	————
	3,977,557	3,920,208
	════	════
Geographical markets:		
Kuwait	**3,299,974**	3,318,710
Kingdom of Saudi Arabia	**677,583**	601,498
	————	————
	3,977,557	3,920,208
	════	════

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at the reporting date, the Group had no outstanding dilutive potential shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

4 Basic And Diluted Earnings Per Share (Continued)

	2022 KD	2021 KD
Profit for the year (KD)	**2,132,770**	1,478,671
Weighted average number of shares outstanding during the year (excluding treasury shares) *	**370,000,000**	370,000,000
Basic and diluted earnings per share	**5.76 fils**	4 fils

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

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

5 INVESTMENT IN AN ASSOCIATE

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

	2022 KD	2021 KD
At 1 January	**8,133,453**	8,171,714
Return of capital	**(244,625)**	(173,367)
Share of result	**(860,827)**	156,248
Foreign currency translation adjustments	**90,599**	(21,142)
At 31 December	**7,118,600**	8,133,453

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

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 2022

5 Investment In An Associate (Continued)

	2022 KD	2021 KD
Current assets	**553,210**	789,254
Non-current assets	**30,357,108**	34,375,279
Current liabilities	**(1,171,660)**	(1,208,362)
Non-current liabilities	**(77,826)**	(66,783)
Equity	**29,660,832**	33,889,388
Ownership interest held by the Group	**24%**	24%
Group's share in the equity	**7,118,600**	8,133,453

	2022 KD	2021 KD
Revenue	**2,269,145**	2,165,099
(Loss) profit for the year	**(3,586,779)**	651,034
Other comprehensive income (loss) for the year	**377,496**	(88,092)
Group's share of (loss) profit	**(860,827)**	156,248
Group's share of Other comprehensive income (loss) for the year	**90,599**	(21,142)

6 INVESTMENT PROPERTIES

	2022 KD	2021 KD
At 1 January	**60,612,161**	60,347,404
Additions	**3,508,872**	74,206
Disposal	**(4,020,000)**	-
Change in fair value	**1,250,722**	230,351
Net foreign exchange gain (loss)	**175,278**	(39,800)
At 31 December	**61,527,033**	60,612,161

During the period, the Group sold certain investment properties with carrying value of KD 4,020,000 for a total consideration of KD 4,450,000 resulting in a realised gain on disposal of KD 430,000.

As at 31 December 2022, certain investment properties of KD 4,560,000 (2021: KD 4,450,000) are held in the name of a third party under Ijara agreement of KD 2,940,862 (2021: KD 3,095,644) (Note 7).

As at 31 December 2022, certain investment properties amounting to KD 33,835,980 (2021: KD 32,005,000) are pledged as a security against Murabaha agreement of KD 24,550,000 (2021: KD 24,750,000) (Note 7).

As at 31 December 2022, Certain investment property amounting to KD 1,297,600 (2021: KD 1,297,465) is included as part of foreign real-estate portfolio managed by an external portfolio manager.

As at 31 December 2022, the Group does not have any capital commitments in respect of construction agreements (2021: KD Nil).

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

The Group's investment properties is valued using level 3 of the fair value measurement. During the year, there were no transfers into and out of level 3 fair value measurements.

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

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

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 2022

6 Investment Properties (Continued)

	2022		2021	
	Kuwait	**GCC**	Kuwait	GCC
Average monthly rent (per sqm) (KD)	**9.04**	**4.60**	9.62	4.49
Yield rate	**7.47%**	**7.72%**	7.37%	7.36%
Vacancy rate	**8.29%**	**10.5%**	12.89%	10.8%
Percentage of operating expenses to annual rental income	**5.3%**	**7.4%**	6.5%	7.8%

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

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

	Changes in valuation assumptions	2022		2021	
		Kuwait	**GCC**	Kuwait	GCC
		KD	**KD**	KD	KD
Average rent	± 1%	**451,760**	**163,511**	440,250	165,872
Yield rate	± 50 BP	**304,341**	**106,571**	301,050	113,384
Vacancy rate	± 1%	**27,624**	**14,600**	35,134	15,732
Percentage of operating expenses to annual rental income	± 1%	**477,093**	**176,577**	470,856	179,904

7 ISLAMIC FINANCING PAYABLES

2022	**Ijara KD**	**Tawaruq KD**	**Murabaha KD**	**Total KD**
Gross amount	**3,522,815**	**4,317,342**	**31,807,007**	**39,647,164**
Less: deferred profit	**(555,727)**	**(291,280)**	**(7,257,007)**	**(8,104,014)**
	2,967,088	**4,026,062**	**24,550,000**	**31,543,150**

7 Islamic Financing Payables (Continued)

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

Islamic finance payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.5% to 3.25% (2021: 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 7 years from the reporting date.

As at 31 December 2022, Ijara payable of KD 2,940,862 (2021: KD 3,095,644) are secured by the investment properties of KD 4,560,000 (31 December 2021: KD 4,450,000 (Note 6).

As at 31 December 2022, Murabaha payable of KD 24,550,000 (2021: KD 24,750,000) are secured by the investment properties of KD 33,835,980 (2021: KD 32,005,000) (Note 6).

Changes in liabilities arising from financing activities

2022	**1 January KD**	**Cash Flows –in/(out) KD**	**Other – in/(out) KD**	**31 December KD**
Ijara payable	**3,099,460**	**(154,782)**	**22,410**	**2,967,088**
Tawarruq payable	**4,263,953**	**(272,517)**	**34,626**	**4,026,062**
Murabaha payable	**24,937,151**	**(200,000)**	**(187,151)**	**24,550,000**
	———	———	———	———
	32,300,564	**(627,299)**	**(130,115)**	**31,543,150**
	═══	═══	═══	═══

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 2022

7 Islamic Financing Payables (Continued)

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

8 SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES

a) Share capital

	Number of shares		Authorised, issued and fully paid	
	2022	2021	**2022**	2021
	KD	KD	**KD**	KD
Shares of 100 fils each (paid in cash)	**370,000,000**	370,000,000	**370,000,000**	370,000,000

b) Proposed and distributions made

	2022 KD	2021 KD
Proposed dividends on ordinary shares:		
2022: 4 fils (2021: 3 fils)	**1,480,000**	1,110,000

	2022 KD	2021 KD
Cash dividends on ordinary shares declared and paid:		
2021: 3 fils (2020: Nil fils per share)	**1,110,000**	-

8 Share Capital, General Assembly Meeting And Reserves (Continued)

The Annual General Assembly of the shareholders of the Parent Company held on 23 March 2022 approved the consolidated financial statements for the year ended 31 December 2021.

c) Statutory reserve

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

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

d) General reserve

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

9 RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group has recognized a gain of KD 106,117 (31 December 2021: loss of KD 24,403) 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 113,577,277 (31 December 2021: SAR 111,145,584). 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:

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 2022

9 Related Party Transactions And Balances (Continued)

	2022 KD	2021 KD
Salaries and short-term benefits	**307,700**	304,200
Employees' end of service benefits	**71,947**	60,112
	———	———
	379,647	364,312
	═══	═══

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 30,000 for the year ended 31 December 2022. This proposal is subject to the approval of the shareholder at the AGM of the Parent Company.

10 SEGMENT INFORMATION

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

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

10 Segment Information (Continued)

2022	Real estate activities	Investment activities	Others	Total
	KD	KD	KD	KD
Net gain on investment properties	5,372,875	-	-	5,372,875
Net inventory properties income	200,315	-	-	200,315
Net investment income	-	(860,827)	-	(860,827)
Administrative expenses	(1,148,744)	-	-	(1,148,744)
Foreign exchange loss	-	-	66,732	66,732
Other income	-	-	421	421
Finance costs	(1,221,662)	-	-	(1,221,662)
Provision for expected credit losses	(138,773)	-	-	(138,773)
Unallocated expenses	-	-	(137,567)	(137,567)
Segment profit	3,064,011	(860,827)	(70,414)	2,132,770
Segment assets	67,970,913	7,118,600	26,610	75,116,123
Segment liabilities	32,632,975	-	1,125,523	33,758,498

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

NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS

As at end for the year ended 31 December 2022

10 Segment Information (Continued)

2021	Real estate activities	Investment activities	Others	Total
	KD	KD	KD	KD
Net gain on investment properties	3,877,538	-	-	3,877,538
Net investment income	-	156,248	-	156,248
Administrative expenses	(1,071,707)	-	-	(1,071,707)
Foreign exchange gain	-	-	(24,569)	(24,569)
Other income	-	-	5,956	5,956
Finance costs	(1,006,628)	-	-	(1,006,628)
Provision for expected credit losses	(342,834)	-	-	(342,834)
Unallocated expenses	-	-	(115,333)	(115,333)
Segment profit	1,456,369	156,248	(133,946)	1,478,671
Segment assets	66,339,372	8,133,453	15,056	74,487,881
Segment liabilities	33,273,794	-	1,045,087	34,318,881

11 Financial Instruments Risk Management Objectives And Policies

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

11.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to the carrying values of financial assets appearing on the consolidated statement of financial position.

11 Financial Instruments Risk Management Objectives And Policies (Continued)

11.1 Credit risk (Continued)

The Group seeks to limit its credit risk with respect to tenants of its investment properties by monitoring outstanding receivables. The Group limits credit risk with regard to its bank balances by only dealing with reputable banks.

With respect to credit risk arising from the other financial assets, 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.

11.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments.

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

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

2022	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
Accounts payable and accruals (excluding advances from tenants)	-	-	984,267	-	-	984,267
Islamic financing payables	1,787,689	395,658	1,321,606	7,822,562	28,319,649	39,647,164
	1,787,689	395,658	2,305,873	7,822,562	28,319,649	40,631,431

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 2022

11 Financial Instruments Risk Management Objectives And Policies (Continued)

11.2 Liquidity risk (Continued)

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

11.3 Market risk

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

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

a) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Group is exposed to profit rate risk on its floating profit bearing Islamic financing payables (Note 7). 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 profit or loss to reasonably possible changes in profit rates, with all other variables held constant:

	Increase / decrease in basis points	Effect on profit for the year KD
2022	**+/-1%**	**302,476**
2021	+/-1%	320,873

11.3 Market risk (Continued)

b) Currency risk

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

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

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

	2022 Equivalent	2021 Equivalent
	KD	KD
SAR	**9,529,714**	9,672,171
USD	**(2,614,144)**	(2,809,875)

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

	Change in exchange rate	Effect on profit or loss (relates to monetary financial assets and liabilities)	
Currency		**2022 KD**	2021 KD
SAR	±3%	**285,891**	290,165
USD	±3%	**78,424**	84,296

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

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

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 2022

12 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 2022 and 31 December 2021.

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.

	2022 **KD**	2021 KD
Accounts payable and accruals (excluding advances from tenants)	**984,267**	882,252
Islamic financing payables	**31,543,150**	32,300,564
Less: Bank balances and cash	**(5,785,411)**	(4,627,469)
	————	————
Net debt	**26,742,006**	28,555,347
	————	————
Equity	**41,357,625**	40,169,000
	————	————
Total capital and net debt	**68,099,631**	68,724,347
	════	════
Gearing ratio	**39.27%**	41.55%
	════	════

13 FAIR VALUE MEASUREMENTS

The methodologies and assumptions used to determine fair values of assets is described in fair value measurement section of Note 2.5: Summary of Significant Accounting Policies.

Financial assets:

The Group's financial assets and financial liabilities carried at amortized cost, the carrying value is

13 Fair Value Measurements (Continued)

Financial assets: (Continued)

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.

Non-financial assets:

The Group's non-financial assets are carried at cost except for the investment properties which are carried at fair value. The Group's investment properties are measured using level 3 of the fair value measurement. The fair value approach, significant unobservable inputs used in the fair value measurement and its related sensitivity analysis are disclosed in Note 6.

14 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:

2022	Within 1 year KD	1 to 10 Years KD	Total KD
Assets			
Bank balances and cash	**5,785,411**	-	**5,785,411**
Accounts receivable and prepayments	**375,848**	-	**375,848**
Inventory properties	**282,621**	-	**282,621**
Investment in an associate	-	**7,118,600**	**7,118,600**
Investment properties	-	**61,527,033**	**61,527,033**
Property and equipment	-	**26,610**	**26,610**
Total assets	**6,443,880**	**68,672,243**	**75,116,123**
Liabilities			
Accounts payable and accruals	**1,089,825**	-	**1,089,825**
Islamic financing payables	**1,930,367**	**29,612,783**	**31,543,150**
Employees' end of service benefits	-	**1,125,523**	**1,125,523**
TOTAL LIABILITIES	**3,020,192**	**30,738,306**	**33,758,498**

Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries
NOTES TO THE CONSOILDATED FINANCIAL STATEMENTS
As at end for the year ended 31 December 2022

14 Maturity Analysis Of Assets And Liabilities (Continued)

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