# ANNUAL REPORT 2022

## BRINGING COMMUNITIES TOGETHER

URC
شركة العقارات المتحدة
United Real Estate Co

# KUWAIT'S LEADING REAL ESTATE DEVELOPER

**H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**

Amir of the State of Kuwait

**H.H. Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah**

Crown Prince of the State of Kuwait

# Contents



# BOARD OF **DIRECTORS**

**Sheikha Bibi Nasser Sabah Al-Ahmed Al-Sabah**

Chairperson

**Mazen Issam Hawwa**

Vice Chairman & Group Chief Executive Officer

**Sheikh Fadel Khaled Al-Sabah**

Board Member

**Sana Abdullah Hamad AlHadlaq**

Board Member

**Abdul Amir Qasem AlMuscati**

Board Member

**Mahmood Ali Tifouni**

Board Member

# MANAGEMENT **TEAM**

**Mazen Issam Hawwa**
Vice Chairman & Group Chief Executive Officer

**Santhosh Kumar Unnikrishnan**
Group Chief Financial Officer

**Mishary Al Muhailan**
Chief Development Officer

**Nasser Al Qallaf**
Acting Chief Sales & Marketing Officer

**Abdo Salamah**
Vice President Legal & Litigation

**Tareq Anbousi**
SVP Investment and Strategic Planning

**Abdullah Al Sultan**
Chief Property Management Officer

**Rashid Issa Al-Issa**
Chief Human Resources Officer

**Shadi Mekdashi**
Head of Risk & Compliance

**Monika Yaacoub**
Head of Internal Audit

# BOARD OF DIRECTORS **REPORT**

## Dear honorable shareholder of the United Real Estate Company,

I am pleased to present to you a comprehensive report on the company's performance and the most important achievements that the company's board of directors and the executive management worked to attain during the fiscal year ending on December 31, 2022, so that United Real Estate culminates in a new year of achievements.

These tangible milestones have been fulfilled despite the economic challenges that the world has witnessed in terms of geopolitical events, foremost of which comes the Russian-Ukrainian war and its effects on all economic sectors worldwide, not to mention the economic sectors' continuation in dealing with the repercussions of supply chain disruptions globally, that followed with a continuous rises in prices, especially the prices of building materials, which are the main nerve of the company's construction activity. However, the United Real Estate Company maintained positive and stable growth rates.

### Our honorable shareholder,

The financial statements reflect the success of the company in achieving its strategic objectives in line with the aspirations of the shareholders, as your company was able to accomplish stable and increasing positive outcomes that resulted in recording profits by KD 3.38 million in 2022, compared to profits amounted to KD 4.96 million during 2021.

The company was able to accomplish many achievements within its 2022 business plan, on top of which is the merger with United Towers Holding Company (UTHC) and Al Dhiyafa Holding Company (DHC), which we believe will create new investment opportunities for shareholders and benefit them from a balanced and diversified portfolio of assets.

As the merger process is concluded, an internal restructuring took place in which the existing business of UTHC and DHC are reconstituted by URC, hence, the assets and liabilities of both merged companies are assumed by URC. The merger enhances the Group's operational performance, which goes in line with its strategic vision and increases its financial competitiveness. The merger has been orchestrated within a clear strategy that aims to upgrade URC's asset portfolio and enhance the company's capacity. Increase in revenues, expansion and diversification of URC's portfolio of assets, and enhancing value for the shareholders are some of the direct benefits expected out of this merger.

During 2022, URC exited its stake in the capital of the Kuwait Hotels Company, which comes in line with the company's strategy in the process of refocusing on development and investment in quality real estate projects that enhance its position as a real estate developer and maximize returns for shareholders, as it achieved profits of 1.2 million dinars from the deal. Further, in 2022 URC announced that it has sold its shares in Kuwait Hotels Company (KHC). This transaction goes in line with URC's strategy towards shifting its focus to developing and investing in real estate projects, that will significantly enhance its position as a leading real estate developer. This deal will also realize our shareholders' value for URC's investments in KHC, with KD 1.2 million profits that were recorded from this transaction.

The company's operational performance continues to improve, as we continue developing the first-ever, comprehensive mixed-use development in Kuwait "Hessah District". Hessah District promises its residents, and visitors, an unprecedented experience of vibrant modern community living where connections are reimagined.

### Our honorable shareholder,

Work in the residential component "Byout Hessah" in the "Hessah District" has entered an advanced phase, and is expected to be completed and ready for handover in 2023. The company also succeed in selling 99 residential units (69% of the total units) as of 31 December 2022.

In the same vein, the residential component "Hessah Towers" in the "Hessah District" is expected to be completed and ready for handover in 2023. The company succeed in exceeding expectations by selling 173 residential units (85% of the total units) as of 31 December 2022.

We are also aiming to finalize and complete the development of the Commercial District in the "Hessah District" by late 2024, as the company has achieved great progress in the main construction works. We are also locked in negotiations with several high-end local and international brands and retailers of all kinds, with the objective of providing residents and visitors of the district an unparalleled experience.

### Our honorable shareholder,

The year 2023 has come upon us amid increasing economic challenges, beginning with the continuation of geopolitical repercussions globally, passing through interest rates that are witnessing continuous increases, and global inflation rates that have not witnessed stability since March 2022. However, URC operates according to a visionary strategy and well-studied steps that assure achieving the highest returns and great value possible for its shareholders and reduce the repercussions of economic fluctuations on the company's business to the lowest levels. In the meantime, URC continues to explore opportunities that are in line with its strategy in a way that enhances the interest of its shareholders.

### Finally,

I take this opportunity to express my sincere appreciation and gratitude to the honorable shareholders on behalf of the Board of Directors and the Senior Management Team for their continuous support, as this was a major factor for the company's success in achieving its strategic plans, especially the support that the company's management received in the merger deals that took place during 2022.

**Bibi Nasser Sabah Al-Ahmed Al-Sabah**

Chairman of the Board of Directors of the United Real Estate Company

# MANAGEMENT **REPORT**

## Dear Esteemed Shareholders of United Real Estate Company,

URC continued to show a robust growth in 2022, supported by the implementation of a bundle of efficient strategies and successful transactions that were driven by the unwavering support of our shareholders, and the incredible contribution of everyone of the Board of Directors and Management team. This has strengthened URC's position in the local market as a key player in the real estate sector, which as a result allowed URC to win a wide range of prestigious awards.

In 2022, URC continued to build its success story, basing its operations on an ambitious strategic plan to proceed with steady steps to achieve well-studied short, medium, and long-term goals, coupled with flexible mechanisms allowing the company to alter its plans while exploring new opportunities that support its operations, enhance its revenues and maximize earnings for shareholders.

URC has always been known for setting new benchmarks in design, construction, build quality and sustainable projects, offering exceptional lifestyle experiences that balance living, work and entertainment which fulfil the aspirations of the discerning customers looking for unique real estate options for housing and entertainment, all the way to investment with remunerative and guaranteed returns according to stable growth rates.

### Financial Resilience

Our Valued Shareholders,
Financially, the company was able to achieve stable growth rates despite the business challenges faced across the globe. URC reported an increase in its net profit to reach KD 3.38 million for the year ended 31 December 2022, while earnings per share were up to 3.14 fils, compared to a net loss of KD 4.96 million for the same period in 2021, and a loss per share of 4.62 fils. An increase of KD 8.34 million compared to the year 2021.

Total equity attributable to the shareholders of the parent company increased to KD 188.188 million for the year ended 31 December 2022, compared to KD 169.71 million for the year 2021. An increase of 10.88% compared to the year 2021. Total assets also witnessed an increase by 11.21%, with a value of KD 67.28 million, to reach KD 667.71 million during 2022, compared to KD 600.43 million in 2021.

URC also achieved exceptional non-recurring profits in 2022, after announcing the selling of the company's shares in Kuwait Hotels Company (KHC), to a group clients of an unlisted investment company for 180 fils per share in deal valued KD 3.1 million earned approximately KD 1.2 million in profit and by 38.7% of the total value of the deal. This transaction goes in line with URC's strategy towards shifting its focus to developing and investing in real estate projects, that will significantly enhance its position as a leading real estate developer in the markets in which it operates inside and outside Kuwait. This deal significantly realizes our shareholder's value for URC's investments in KHC.

Besides these, URC has successfully completed its merger by amalgamation with United Towers Holding Company (UTHC) and Al Dhiyafa Holding Company (DHC). The shareholders agreed to increase the company's capital by KD 24.3 million from KD 118.8 million to KD 143.1 million, by issuing 242.6 million ordinary shares at nominal value. I also would like to extend my appreciation to all the regulatory and supervisory authorities, namely the Capital Markets Authority (CMA), Competition Protection Authority and Ministry of Commerce and Industry for their invaluable support and guidance throughout and for their efforts in ensuring the interests of all concerned parties. This wouldn't have been possible without the valuable efforts of all the team members and associated partners involved in this transaction.

### Operational Success

Our Valued Shareholders,
True to its promise to build sustainable communities and deliver unique lifestyle experiences, URC continued its operational motion in the local market and across key global markets in which it operates according to its strategic plan and set timetables. In Kuwait, completion rate of the "Hessah District" has reached to 46%, in an intangible progress for the construction phase. The project reached advanced stages and witnessed huge demand and an excellent sales rate, unprecedented in Kuwait. This provides solid evidence of customers' confidence in the company's level of credibility.

We are continuing with the development of our residential components "Hessah Towers" and "Byout Hessah" in the "Hessah District," which are expected to be completed and ready for handover in 2023. We are also aiming to finalize the development of the Commercial District which is expected to be completed in 2024.

The company is currently working on marketing the rest of the available units, which are witnessing a remarkable demand, due to the qualitative leap in the concept of housing and entertainment in Kuwait, which has gained the company a competitive advantage that established its position as a distinguished real estate developer that is always looking for creativity and innovation in its real estate solutions, which is offered to a wide range of investors and those wishing to live in accordance with the highest levels of luxury.

### Our Projects

URC's diversified portfolio of assets is geographically spread throughout the MENA region and includes an all-inclusive community, lifestyle hub, and mixed-use development located at Hessah AlMubarak District in Kuwait, Marina World, Marina Plaza, in addition to KIPCO Tower, Al-Shaheed Tower and City Tower in Kuwait.
URC primarily operates through a number of operating subsidiaries and investment arms across the MENA region. Our plans include developing a world-class all-inclusive resort in Sharm Al Sheikh, Egypt. In Morocco, the Assoufid is located in the vibrant city of Marrakesh in the Kingdom of Morocco and is of particular significance. The first phase included a golf club, and now we are developing the second phase which will introduce the iconic five-star hotel brand, The St. Regis Marrakech Resort,

Operated by the Marriott International, Inc. The hotel will consist of luxurious residential apartments and a retail area at 2,312 square meters. While the third phase of the Assoufid development will introduce additional premium villas and apartments.

Our project in Oman, the Salalah Gardens Mall & Residences, is fully operational and self-reliant as it has become self-sustainable to meet its obligations. In Jordan, our Abdali mall has completed its green initiative aimed at reducing its operating costs.

## Awards and Recognitions

2022 is set to be another year of wins, as URC attained several prestigious awards in recognition of its excellence in providing innovative real estate solutions. URC was named the "Most Innovative Community Developer" in Kuwait by the International Finance Awards in January 2022. Also, "Hessah District" received "Best for Kuwait" awards in eight categories at the Arabian Property Awards 2022-2023, announced in October 2022.

Out of the eight categories in which URC won awards, four have been upgraded to "Best in Region" and one out of these four was upgraded to "Best International Office Development" for "Hessah Work" within "Hessah District" in the International Property Awards 2022-2023.

Winning these awards reaffirms our consistent commitment to the highest standards of quality and design-led approach while embracing innovation within the architecture and interiors of our developments. The recognition further reinforces URC's commitment to build more connected communities that enhance and improve lifestyles.

## Human Capital Development

At URC, we are committed to empowering and investing in our people as part of the company's business strategy. In this context, we are advancing our ways of working by adapting the latest developments through a passionate management team. We are also keen to harness all the training and academic capabilities of the employees in order to motivate them and give them the opportunity to hone their professional and practical experiences to help them grow and contribute meaningfully to our business. In addition, we have achieved a great success during the year 2022 in providing several job opportunities for ambitious Kuwaiti competencies. We recognize the significant impact our employees have on the company's operations and the communities in which we operate in, and therefore we are committed to providing our employees with the tools and skills necessary to ensure that they keep pace with the rapid developments of the markets. Accordingly, we have upgraded and enhanced our Human Capital Management system with the aim of improving employees' performance. We have also partnered with LinkedIn Learning, which gives employees easy access to specialized courses for skills development and vocational training.

## Corporate Social Responsibility (CSR)

Social responsibility is an integral part of the strategy by which URC operates. As a Kuwaiti company, we believe that it's our responsibility to give back to the community that has given us so much and given us the opportunity to grow and prosper.
As a company that supports the prosperity of societies, we have carried out many CSR initiatives focusing on providing solutions that contribute to accelerating efforts to empower women and provide equal opportunities, in addition to supporting youth in Kuwait, and improving their health and safety.

URC's social responsibility program was characterized by its diversified and comprehensive social initiatives and contributions in 2022. The company's social efforts have resulted in launching several diversified initiatives, events, and activities at the various levels.

URC partnered with the United Nations (UN) to promote Women's Empowerment Principles (WEPs) which aims to promote the adoption of real and sustainable policies on various topics related to recruitment, retention, and leadership and complements the vision of URC to promote gender-equal work environment. URC has also signed a Memorandum of Understanding with the Australian University in Kuwait aiming to establish cooperation and execution of joint programs such as holding training workshops in the company. In addition, URC sponsored the Women's Futsal League 2021-2022 season along with sponsoring the "GIG Battle" sports tournament 2022IG Battle 2022.

As URC is committed to the United Nations Sustainable Development Goals (SDGs), aimed at eliminating violence against women, we have also lit up "Hessah Towers" with orange as an expression of our solidarity with International Orange Day on the 25th of November 2022.

As part of our participation and support for the global diabetes awareness campaign on the occasion of World Diabetes Day, URC in collaboration with Al Salam International Hospital, organized a workshop for its employees to raise awareness of diabetes.

## Digital Transformation

2022 was the year of implementation, as we were keen to implement our strategies and goals that we set in order to better meet the aspirations of our customers. Further, we have improved our business to remain competitive and maximize shareholder value. While the world we live in has become more digital than ever, we have implemented a Property Management System for URC properties. We have also upgraded IT infrastructure including Servers and Switches and replaced obsolete technology, in addition to activating the Customer Relationship Management System to better meet customer needs.

## Corporate Governance

At URC, we are keen on implementing good governance rules that are essential for helping the company grow and achieve its goals. to fully instill the principles of governance within the strategic planning process, internal audit, performance measurement process, internal and external audits, and information disclosure. Accordingly, the Corporate Governance Department is responsible for supporting management and the Board of Directors in ensuring that corporate governance policies and practices are effectively implemented in the company and its subsidiaries and associates. The Risk and Compliance Department assists the Board of Directors in its annual review and assessment of compliance with the Code of Conduct and ethical standards. The department also supervises the implementation of corporate governance procedures in the URC and all its companies.

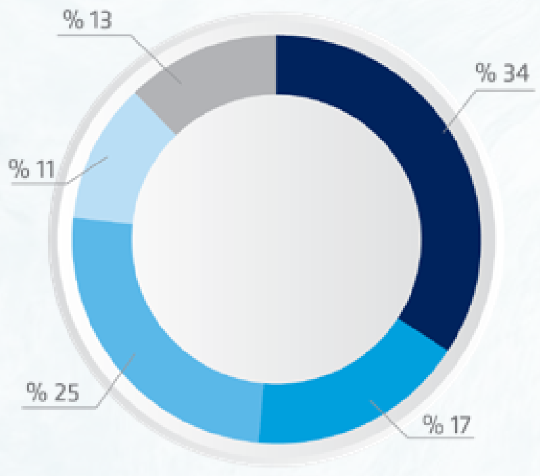
## URC in 2023

Our valued shareholders,
We, at URC, believe that where there are challenges, there are opportunities. True to our promise, we will overcome all challenges we might face in the coming years armed with a flexible strategic plan. Our overlying objective for 2023 is to complete the construction work and handover the residential units of the "Hessah Towers" and "Byout Hessah". In Egypt, we are planning to launch sales for the Medius project, in addition to opening the Waldorf Astoria Hotel. I look forward to a solid start to the new success story.

**Mazen Issam Hawwa**
Vice Chairman & Group CEO

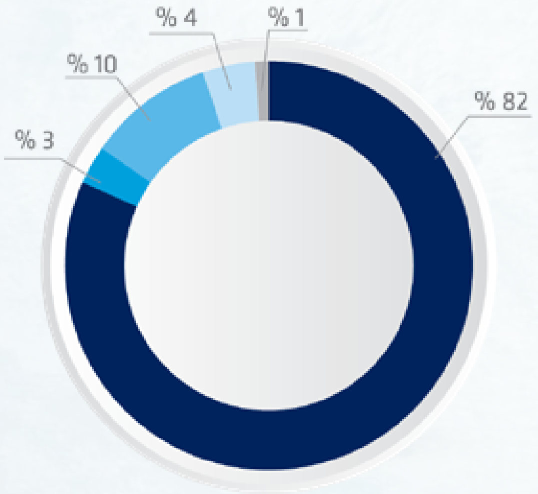
- URC recorded a Net Profit of KD 3.38 million in 2022.
- 2022 was a year of achievements that were crowned with prestigious awards.
- The company continued adopting its strategic plans focusing on real estate development approaches.
- During the year 2022, URC was able to achieve tangible progress in the operational developments in its "Hessah District" project.
- The company carried out many CSR initiatives during 2022, focusing on supporting the communities in which it operates.
- Our strategy aligns with Kuwait 2035 vision "New Kuwait".
- We constantly strive to achieve the optimal balance and build a vibrant community.

# Key **Financial** Highlights



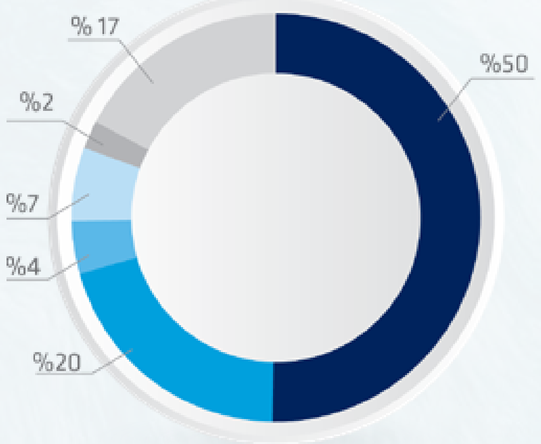

## Assets by Geography
KD **667.7** million

- Kuwait 34%
- Jordan 17%
- Egypt 25%
- Oman 11%
- Others 13%



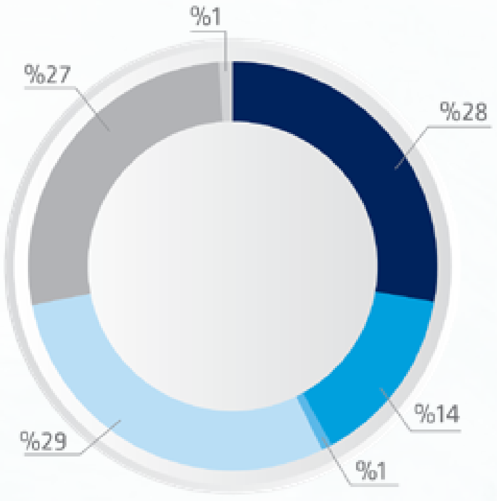

## Revenue by Geography
KD **84.6** million

- Kuwait 82%
- Jordan 3%
- Egypt 10%
- Oman 4%
- Lebanon 1%



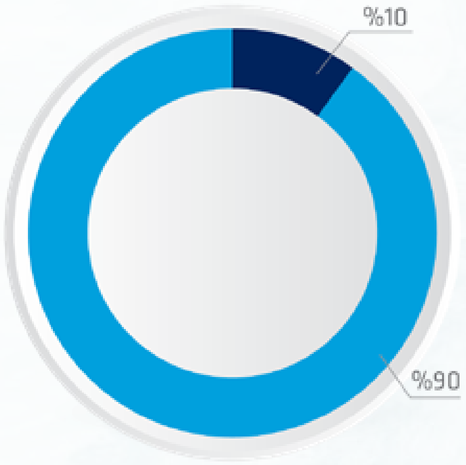

## Assets by Segment
KD **667.7** million

- Rental 50%
- Hospitality 20%
- Property Trading 4%
- Contracting 7%
- Real Estate Services 2%
- Real Estate Development 17%



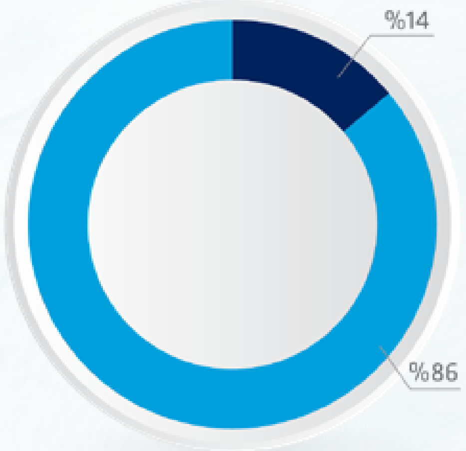

## Revenue by Segment
KD **84.6** million

- Rental 28%
- Hospitality 14%
- Property Trading 1%
- Contracting 29%
- Real Estate Services 27%
- Real Estate Development 1%




## Debt Mix KD **362** million

- Current 10%
- Non-Current 90%

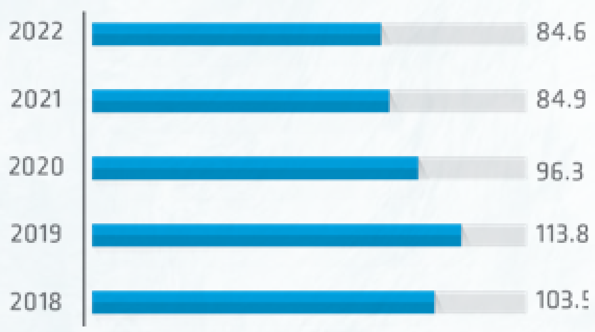



## Assets Mix KD **667** million

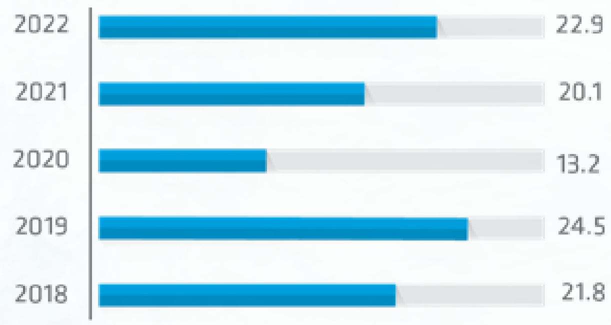
- Short Term 14%
- Long Term 86%

# Key **Financial** Highlights

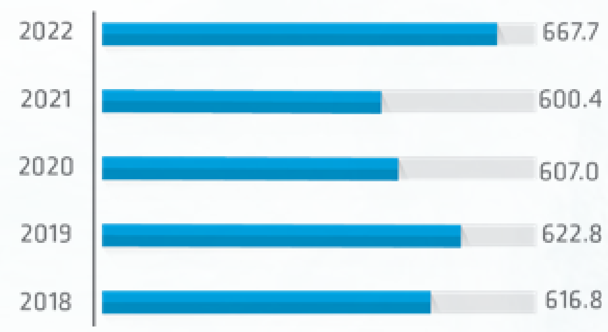
### Revenue
KD million



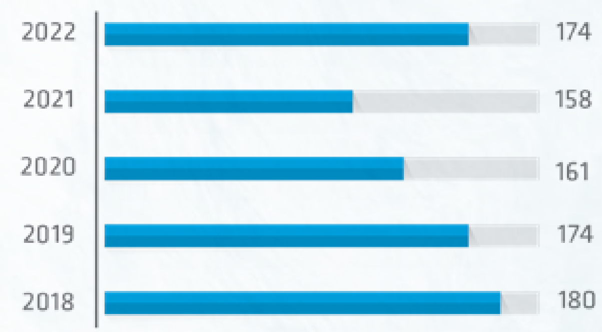

### GROSS PROFIT
KD million




### TOTAL ASSETS
KD million

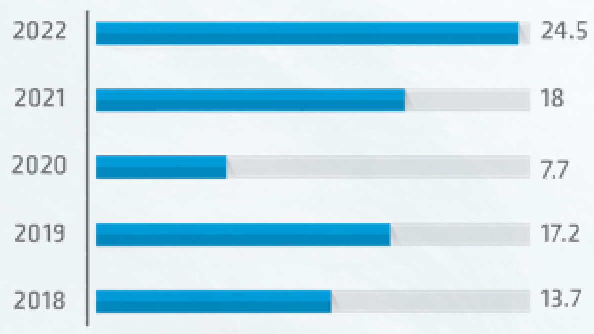



### BOOK VALUE PER SHARE
* Fils

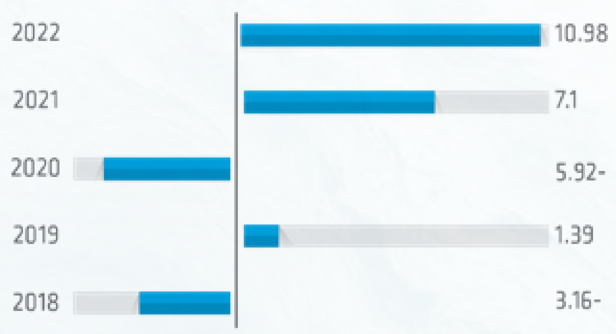



* Book value per share is calculated based on the outstanding number of shares

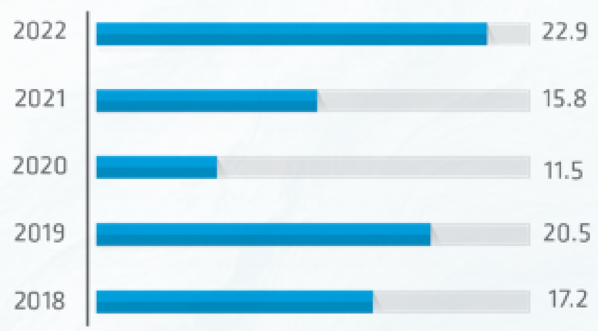
### EBITDA
KD million



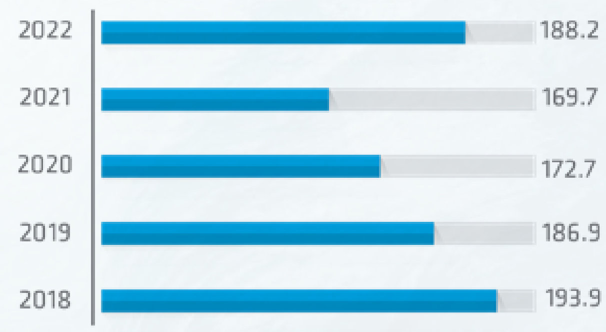

### EARNINGS BEFORE NON-CASH ITEMS
KD million




### CASH FLOW FROM OPERATIONS
KD million




### SHAREHOLDERS EQUITY
KD million



# URC
# AT A GLANCE

## Vision
To be Kuwait's leading diversified real estate company

## Mission
To develop properties which are superior in both form and function, thereby creating added value to its shareholders, customers and communities, while conducting business in a professional, honest, transparent approach.

## Core **Values**
Culture of Trust
Effective Communication
Delivery Excellence

## Our Portfolio of **Assets**
Our portfolio of assets includes retail complexes, hotels, residential properties, high-rise office buildings, and mixed-use real estate projects.

## Human Capital Key Highlights

**32%** **female employees** across total workforce.

**334** the number of completed courses on the LinkedIn Learning

**33%** local employment in **managerial positions**

**29%** **Board seats** now occupied by women

Total Asset as of December 31, 2022

**668** KD Million

**2.2** Dollar Billion

**6** Countries we operate in

**1973** Foundation year

**3** Under Development Projects

**1984** Listed in Boursa Kuwait

## Board of Directors and its committees Meetings **2022**

**28** MEETINGS
TOTAL MEETINGS FY 2022

**12** Board Meetings

**2** Nomination & Remuneration Committee

**9** Audit Committee

**5** Risk Management Committee

## COUNTRIES
WE OPERATE IN


## AWARDS &
RECOGNITIONS

URC Won **Eight** Prestigious Accolades at Arabian Property Awards 2022-2023

URC Won the **"Most Innovative Community Developer"** by International Finance Awards

## 2022 PARTNERSHIPS

URC Signs MOU with Australian University (AU)

URC partnered with the United Nations (UN) to promote Women's Empowerment Principles (WEPs)

URC a strategic partner with LinkedIn Learning

URC a main sponsor of the Women's Futsal League 2021-2022

# 2022 A Year of Success

2022

**January**

- URC was named the "Most Innovative Community Developer" by International Finance Awards
- Continue supporting the Women's Futsal League as a main sponsor
- Forbes Middle East Summit/interview with Mr. Mazen Hawwa
- Winning Eight Prestigious awards at Arabian Property Awards 2022- 2023

**February**

- Achieving record sales in "Byout Hessah" residential project, with a share of %20 of the total sales
- Celebrating Kuwait's national days with employees
- Decorating and lighting buildings and facilities in the colors of the Kuwait's flag

**March**

- Announcing URC's intention to merge with both Al Dhiyafa Holding Company and United Towers Holding Company
- Announcing the company's profits for year ended 31 December 2021

**April**

- Partnering with the United Nations (UN) to promote Women's Empowerment Principles (WEPs)
- In line with its CSR program, URC participated in the "Tamakan" organized by Creative Confidence Company

**May**

- URC Holds Annual General Meeting for Year Ended 31 December 2021
- Reporting a %41.64 increase in URC's net profits for the first quarter of 2022

**June**

- Exiting Kuwait Hotels Company
- Exclusive interview with Mr. Mazen Hawwa on Oxford Business Group
- commencement of the construction works in the commercial district in the "Hessah District"

**July**

- Approving the Asset Valuation Report and Independent Investor's Fairness Opinion Report
- Selling the last remaining residential units in the Aswar project – Egypt
- Selling %70 of the total residential units in the Hessah Towers project

**August**

- Obtaining CMA Approval to Merge with Al Dhiyafa Holding Company and United Towers Holding Company
- Achieving %417 Growth in Net Profits for the First Half of 2022
- Partnering with LinkedIn Learning

**September**

- Sponsoring GIG Battle
- Launching the new Marina World website

**October**

- URC Shareholders Approve the Merger with United Towers Holding Company and Al Dhiyafa Holding Company

**November**

- Recording %33.33 Increase in Net Profits for Q2022 3
- Upgrading four awards to the regional level in the Arabian Property Awards 2022-2023
- Signing an MoU with the Australian University (AU)

**December**

- Achieving remarkable progress in the commercial District by %17
- URC Successfully Completes its Merger with United Towers Holding Company and Al Dhiyafa Holding Company

2023

# 2022 AWARDS
# & RECOGNITIONS

ARABIAN PROPERTY AWARDS
WINNER 2022-2023







# **Sustainable** Development Initiatives

• Seminar on "personal branding" was conducted at AUK

• Partnering with LinkedIn Learning

• A study tour for Kuwait University architecture students to Hessah District

• Sponsoring the International Aquathlon Championship at Marina beach


• Platinum sponsorship to the third Consulting Services for the Development Plan Forum (ENCON3)

• Collaborating with Kuwait Association for the Care of Children in Hospital and Bayt Abdullah Children's Hospice

• Collaborating with Al Salam International Hospital and conducting a workshop for URC employees in celebration of World Diabetes Awareness month

• Signing an MoU with the Australian University (AU)

• Sponsoring GIG Battle, Flare Fitness, and Run Kuwait



• Illuminating Hessah Towers in Orange in Support of the International Day for the Elimination of Violence Against Women

• Welcoming the kids of URC employees at the company premises

• Celebrating World Gratitude Day with employees

• URC held its annual Ramadan Ghabga


• Sponsoring URC Women's Futsal League for the third year in a row

• Providing external training opportunities for employees

• Reducing plastic waste by renovating drinking water filtration systems and distributing stainless steel water bottles to employees


# UNDER DEVELOPMENT PROJECTS

# HESSAH DISTRICT

# KUWAIT

## HESSAH
### DISTRICT

Hessah District project is an all-inclusive community, lifestyle hub, and mixed-use development located at Hessah AlMubarak District in Kuwait. The project brings together a variety of components including luxury residences, commercial offices, medical clinics, serviced apartments, and retail, food & beverage outlets, all of which help interconnect living and leisure for residents and commuters in this bustling epicenter for modern living.

Hessah District's residential components are designed by SSH, one of the leading master planning and design firms in the Middle East, while the mixed-use components are conceptualized by Nikken Sekkei, a world-renown architecture, engineering and planning firm headquartered in Japan, and in collaboration with PACE, a leading multidisciplinary consultant based in Kuwait. The District is designed to embrace convenience and nature, characterized by a beautiful, pedestrian-friendly landscape equipped with modern walkways, open parks, green spaces, and public plazas. This project will introduce a new dimension of the live-work-play experience, balancing a vibrantly urban scene, alongside green and sustainable settings designed to match the aspirations of a modern living and work culture.

H SUITES | HESSAH HUB | HESSAH WORK | HESSAH HEALTH | HESSAH PLAZA | بيوت حصة BYOUT HESSAH | ابراج حصة HESSAH TOWERS

# HESSAH TOWERS

ابراج حصة
HESSAH TOWERS

A modern take on high-end residential living, Hessah Towers is a new development that defines the finest in premium luxury lifestyle. Located within Hessah District, Hessah Towers sets new standards of smart living, comfort, privacy, and security and provides its residents with an array of amenities and services. This landmark development is offering an upscale collection of three-bedroom apartments and duplexes, all built with floor to ceiling windows allowing owners to enjoy breathtaking views of the Arabian Gulf and Kuwait City

Conceptualized by SSH, one of the leading master planning and design firms in the Middle East, and the internationally acclaimed Nabil Gholam Architects, Hessah Towers consists of 40-floor twin towers spanning across a land area of 5,500 square meters and a total built-up area of approximately 70,000 square meters.

| | |
|---|---|
| Total Plot Area | 5,500 SQM |
| Gross Construction Area | 71,800 SQM |
| Number of Units | 204 |
| Number of Towers | 2 |

| | |
|---|---|
| Number of Floors | 40 Floor |
| Car Parking | 448 |
| Expected Completion Date | 3rd Quarter 2023 |

# BYOUT HESSAH

بيوت حصة
BYOUT HESSAH

With stunning views stretching from the Arabian Gulf to the heart of Kuwait City, Byout Hessah is a high-end residential development situated in Hessah AlMubarak District. Byout Hessah reflects the architectural design elements of minimalism, simplicity, privacy, and authenticity. The development is crafted to indulge savvy contemporary homeowners with modern living spaces and cutting-edge amenities.

Conceptualized by SSH, one of the leading master planning and design firms in the Middle East, Byout Hessah comprises 40 luxury four-bedroom townhouses and two 12-floor residential building with 104 upscale two-bedroom apartments, which include 7 penthouses, set amidst landscaped surroundings and conveniently located close to the Arabian Gulf and the heart of Kuwait City's commercial district.

| | |
|---|---|
| Total Plot Area | 13,000 SQM |
| Gross Construction Area | 47,000 SQM |
| Number of Units | 145 |
| Number of Buildings | 2 |

| | |
|---|---|
| Number of Floors | 12 Floor |
| Car Parking | 310 |
| Expected Completion Date | 3rd Quarter 2023 |

# HESSAH PLAZA



HESSAH
PLAZA

A vibrant new philosophy that provides the opportunity to enjoy exquisite dining, to browse through high-end retail, and to create unforgettable moments with family and friends.
The beauty of the retail sector at the PLAZA is that you can choose to browse with friends or family members, or head out on a shopping adventure that's reserved just for you.

## 24,350 SQM
Gross construction area at Hessah PLAZA.

## DINING SECTOR
A variety of fine dinning and casual dinning restaurant, ranging from 244 sqm to 458 sqm.

## OPEN-AIR RETAIL SECTOR
10 high-end retail stores, from 50 sqm to 611 sqm.

| | |
|---|---|
| Total Plot Area | 8,141 SQM |
| Leasable Area | 7,333 SQM |
| Number of Units | 27 |
| Leasable Floors | 2 |

| | |
|---|---|
| Number of Floors | 4 Floor |
| Car Parking | 229 |
| Expected Completion Date | 1st Quarter 2024 |

# HESSAH HEALTH

HESSAH
HEALTH

"Hessa Health" combines health and well-being as one of the most important priorities of modern communities, by providing world-class health care services. However, not all treatments are resolved the same day, which is why many patients choose to stay in our elegant serviced apartments until they're ready to go home. H SUITES combines world-class hospitality services with stunning modern design, to make your stay, in between health appointments, as comfortable and relaxing as possible.

One of the most important aspects of modern community life is access to high-quality, trust-inspiring healthcare, which is exactly what the community clinics at Hessah HEALTH provide.

## 41,228 SQM

Gross construction area at Hessah HEALTH 1 and HEALTH 2. State-of-the-art medical clinic.

| | | | |
|---|---|---|---|
| Total Plot Area | 4,292 SQM | Leasable Floors | 18 |
| Leasable Area | 12,305 SQM* | Number of Floors | 33 |
| Number of Units | 68 | Car Parking | 137 |
| Number of Buildings | 2 | Expected Completion Date | 1st Quarter 2024 |

*laboratories are included

# HESSAH WORK

HESSAH
WORK

The beautiful and elegant interiors of Hessah WORK are designed to support modern businesses and inspire forward-thinking entrepreneurs. WORK 1 is equipped with 40 core & shell offices, ranging from 137 sqm to 292 sqm in size. WORK 2 is equipped with 40 core & shell offices, ranging from 145 sqm to 297 sqm in size.

Hessah WORK offers the perfect environment from which businesses and executives can strengthen global connections and establish a solid market presence from the center of Kuwait.

**60,910 SQM**
Gross construction area for WORK 1 and WORK 2.

| | |
|---|---|
| Total Plot Area | 5,237 SQM |
| Leasable Area | 16,496 SQM |
| Number of Units | 80 |
| Number of Buildings | 2 |

| | |
|---|---|
| Leasable Floors | 16 |
| Number of Floors | 32 |
| Car Parking | 303 |
| Expected Completion Date | 1st Quarter 2024 |

# HESSAH HUB

## HESSAH
HUB

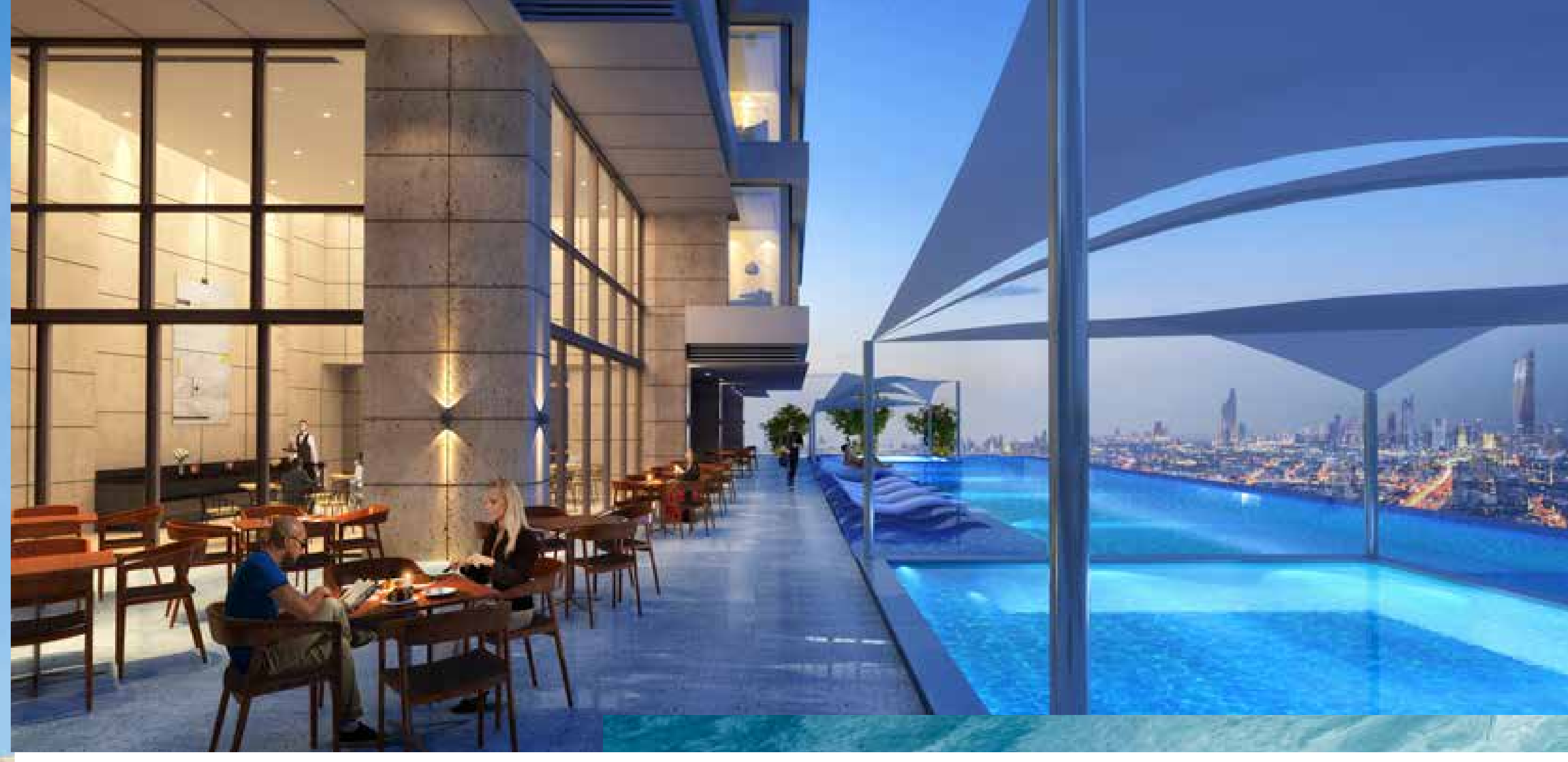
The glowing heart of the Hessah community, Hessah HUB provides all the basics that our Hessah residents need from one day to the next. Whether it's a trip to the butchers, a quick grocery shop, or a last-minute dash to the favored patisserie, HUB is the local heart of the Hessah community, illuminated by the warm interactions of those who frequent and those who serve, and an abundant of local flavors.

### 4,262 SQM
Total leasable area at Hessah HUB.

### 25 RETAIL UNITS
A variety of retail units including a supermarket, fast food and casual dining, electronic stores and banks

| | | | |
|---|---|---|---|
| Total Plot Area | 4,262 SQM | Leasable Floors | 2 |
| Leasable Area | 4,262 SQM* | Number of Floors | 2 |
| Number of Units | upto 25 | Adjacent Parking Structure P124 & P125 | 372 |
| Number of Buildings | 2 | Expected Completion Date | 2nd Quarter 2024 |

# H SUITES

## H SUITES

The walkable nature of Hessah's design, connecting all sectors via internal pathways, makes it simple and easy to get from one sector to the next. H SUITES is perfectly located to enjoy immediate access to Hessah's modern office buildings, luxury residences, trusted medical clinics, and stunning plaza with a variety of fine dining and casual dining options and high-end retail stores.

Elegant interior designs, beautifully illuminated exteriors, and ultra-modern facilities come together at H SUITES to make your stopover unbelievably comfortable and even more inspiring.

**23,616.34 SQM**
Total leasable area at H SUITES.

| | |
|---|---|
| Total Plot Area | 1,649 SQM |
| Leasable Area | 6,927 SQM |
| Number of Suites | 90 |
| Leasable Floors | 19 |

| | |
|---|---|
| Number of Floors | 29 |
| Car Parking | 91 |
| Expected Completion Date | 3rd Quarter 2024 |

# ASSOUFID RESIDENCES

# MOROCCCO

ASSOUFID
RESIDENCES
MARRAKECH

Spanning across a total area of 2.5 million square meters, Assoufid is a luxury mixed-use integrated tourism and residential resort situated in the vibrant city of Marrakech, Kingdom of Morocco.

The first phase of the Assoufid development consists of a multiple award winning 18-hole high-end golf club. The golf course lies on a naturally undulating terrain, with the beautiful, snow-capped Atlas Mountains providing a stunning backdrop, giving golfers an unforgettable experience. This phase also includes a signature restaurant, pro shop, and a member's lounge, along with several luxury residential villas.

The second phase of the Assoufid development will introduce the iconic five-star hotel brand, The St. Regis Marrakech Resort, operated by the Marriott International, Inc. The hotel will consist of 80 keys (60 rooms and 20 villas) equipped with exclusive amenities such as a world-class spa, a swimming pool, a state-of-the-art fitness center, as well as three specialty restaurants for a world-class culinary experience.

The second phase also includes 22 branded residences, 28 real estate residences of tourist promotion (RIPT), 25 residential villas, 120 apartments and a retail area at 2,312 square meters.

While the third phase of the Assoufid development will introduce additional premium villas and apartments. The Assoufid development is strategically located approximately 8 kilometers away from Marrakech International Airport.

**Location**
Marrakech, Kingdom of Morocco

**Plot Area**
2.5 million SQM

**Project Development First Phase**
18-hole high-end golf club with a signature restaurant, pro shop, members lounge, along with luxury villas.

**Project Development Second Phase**
The St. Regis Marrakech Resort and branded villas, apartments, and a retail hub.

**Project Development Third Phase**
Premium branded villas and apartments.

# **ASSOUFID** RESIDENCES

# OPERATING **SUBSIDIARIES**

# OPERATING SUBSIDIARIES

## United Facilities Management (UFM)

**Mr. Ahmad Yousef Al Kandari**
Vice Chairman & CEO

Established in 2008, UFM is the first company in Kuwait to offer comprehensive property and facility management and related consultancy services. UFM offers facility management services from design to operations and serves government ministries and commercial establishments. The Company maintains several government complexes, residential towers, mix-use complexes, and oil sector facilities. The Company's portfolio includes commercial and residential real estate management services in several countries in the MENA Region.

In 2021/2022, UFM was awarded various projects from public and private sectors in Kuwait, including Central Bank of Kuwait, Sabah Al-Salem University City, the Public Institution for social Security, Kuwait Investment Authority, Ministry of Social Affairs, State Audit Bureau, Kuwait Basketball Association, Kuwait Volleyball Association. Among the most important private sector projects; Kuwait Medical Center Dental, Kuwait Hospital, KFH Capital Investment, Waldorf Astoria Kuwait, MARKAZ, Kuwait Real Estate Investment Consortium, Gate Mall, AlTujjar Building Kuwait, Local Flavors, Winter Wonderland, Safat Al Mubarakiya) alongside other companies.

## United Building Company (UBC)

**Mr. Mohammad Alaa Zekri**
General Manager of Operations and Acting Chief Executive Officer

United Building Company K.S.C.C (UBC) is a fully owned construction and contracting arm of United Real Estate Company K.S.C.P (URC), a leading real estate developer in Kuwait and the MENA region. Classified as a "first" grade contracting company since 1984, UBC has a long track record with several landmark projects in Kuwait. The Company currently has various projects under construction valued at approximately KD 189 million.

In 2022, UBC was awarded various contracting projects from private sector, including various infrastructure work in the Hessah AlMubarak District and Sabah Al-Ahmed Sea City.

The Company's completed construction project portfolio includes Fahaheel Medical Center, Sheikha Salwa Al Sabah Center for Stem Cell and Umbilical Cord, Public Prosecution Headquarters, EPW & BOT Headquarters, General Department of Experts Headquarters, public buildings in Sabah Al-Ahmed City – Area C, various infrastructure works within Hessah AlMubarak district development, construction and infrastructure works in West Abdullah Al-Mubarak Area, and Tire Recycling Plant in Salmi Area.

The Company's projects under construction include Central Utility Plant-3 in Sabah Al-Salem Kuwait University City, multi-level car park building in Kuwait University Khaldiya Campus, development of 40 residential buildings and infrastructure works for the investment suburb of Sabah Al-Ahmed City, a residential tower in Sharq Area, and various infrastructure work in the Hessah AlMubarak District and Sabah Al-Ahmed Sea City.

## Gulf-Egypt for Hotels & Tourism

**Mr. Mohsen Abu Al Azm**
Managing Director

Established in 1976, Gulf-Egypt for Hotels & Tourism (S.A.E) is an Egyptian-based subsidiary company held through Al Dhiyafa Holding Company K.S.C.C (DHC), which is owned by United Real Estate Company K.S.C.P (URC).

The main purpose of the Company is construction of hotels and touristic establishments, acquisition, and utilization thereof, the Company owns both Hilton Cairo Heliopolis & Waldorf Astoria Cairo Heliopolis, as well as land assets in Al Orouba and in Sharm El Sheikh, Egypt.

# REGIONAL COMPANIES

## United Real Estate Holding for Financial Investments

**Mr. Mohamed Helmy Shakweer**
Managing Director

United Real Estate Holding for Financial Investments S.A.E., established in 2008 and owned by United Real Estate Company K.S.C.P (URC), is one of URC's primary investment arms in Egypt.

Headquartered in Cairo, United Real Estate Holding for Financial Investments supports URC's operations and strategies in Egypt by overseeing its planned activities and businesses, its regional portfolio of assets and real estate investments, and manages land bank assets and property development through project planning and supervision related to URC's subsidiaries in Egypt, including:

1- Aswar Residences: owned by its subsidiary, Aswar United Real Estate Company S.A.E.
2- Medius: owned by its subsidiary, Manazel United for Real Estate Investment Company S.A.E.

Aswar Residences is a gated residential community comprising 75 three-story villas located on the eastern side of New Cairo, Egypt's latest modern city just 40 kilometers outside Egypt's capital Which was fully developed, sold and delived to clients.

Medius is a high-end residential community currently under development and situated in the heart of New Cairo, comprising 468 apartments and duplexes, a retail complex, and office units.

## United Real Estate Company - Jordan

**Mr. Fares Khazaali**
General Manager

United Real Estate Company Jordan P.S.C (URC – Jordan), established in 2006 and owned by United Real Estate Company K.S.C.P (URC), is the investment arm of URC in the Kingdom of Jordan. Headquartered in Amman, URC Jordan embraces the corporate vision of enriching the local community through the development of landmark projects.

Abdali Mall is one of the most acclaimed developments delivered by URC, and it is the premier retail and entertainment hub that has redefined the concept of shopping malls through its unique architecture and diverse tenant mix. Abdali Mall is also a stimulant to Jordan's economy by contributing thousands of direct and indirect job opportunities to the workforce which contributes to this vital industry.

# ASSOCIATES

## Mena Homes Real Estate Company

**Mr. Mazen Issam Hawwa**
Chairman

Mena Homes Real Estate Company K.S.C.C is a Kuwaiti closed shareholding company owned by United Real Estate Company K.S.C.P (URC) at a 40.4 % stake, along with other reputable KIPCO Group subsidiaries.

Mena Homes Real Estate Company acquired plots within Hessah AlMubarak District, the first-ever mixed-use district developed by the private sector in Kuwait, to develop a variety of components including residential, serviced apartments, offices, health clinics, retail, and food & beverage, and a community hub.

URC leads and manages Mena Homes Real Estate Company's real estate investment portfolio and property development of Hessah AlMubarak District.

## Assoufid Group

**Mr. Yahia Er-Rida**
Executive Director

Assoufid Group operates through several real estates and services entities for the Assoufid Development Project located in Marrakech, the Kingdom of Morocco. Assoufid Group is owned by Assoufid B.V. (ABV), a private company registered in the Netherland. ABV is an associate of United Real Estate Company K.S.C.P (URC), in which URC owns a 49% stake in the Company and oversees the Group development and management.

The Assoufid Development Project is a luxury mixed-used integrated tourism and residential resort situated in the vibrant city of Marrakech. Spread over 2.5 million square meters, the development's first phase comprises a multiple award-winning high-end 18-hole golf club along with several luxury residential villas. The second phase of the project will consist of residential components, including branded villas and high-end apartments, retail shops, and an iconic five-star hotel The St. Regis Marrakech Resort, which is managed and operated by Marriott International, Inc. The third phase of the development will introduce additional premium villas and apartments.

Assoufid Project is strategically located approximately 8 kilometers away from Marrakech International Airport, and lies on a naturally undulating terrain, overlooking the beautiful snow-capped Atlas Mountains.

## Insha'a Holding Company

**Mr. Haitham Mohammed Al Refaei**
Chief Executive Officer

Established in 2005, Insha'a Holding Company is an industry leader for the manufacturing and supplying of building and construction materials in Kuwait. Its core business activities are specialized in ready-mix concrete, building materials, and construction chemicals.

In 2017, United Building Company K.S.C.C (UBC), the construction and contracting arm of United Real Estate Company K.S.C.P (URC), in partnership with Qurain Petrochemical Industries Company (QPIC), one of KIPCO Group subsidiaries, acquired an interest of 100% of Insha'a Holding in a deal valued at KD 13.75 million.

# CORPORATE GOVERNANCE REPORT



URC
شركة العقارات المتحدة
United Real Estate Co

## Corporate Governance Report
## For the Financial Year ended 31/12/2022

Document Reference: 15.CMA153079-22.1.0

First Rule

Construct a Balanced Board Composition

- Brief on the formation of the Board of Directors, as follows:

| Name | Membership | Qualifications & Experience | Election Date / Appointment |
|---|---|---|---|
| Sheikha. Bibi Nasser Al-Sabah | Non-Executive | Sheikha Bibi Nasser Al-Sabah has served as a Board Member of United Real Estate Company K.S.C.P (URC) since 2006 and has been appointed as the Chairperson of the Board on 2019 and reappointed on 2022.<br>She has more than 16 years of professional experience in the field of management and has actively served as a member on several Board Committees.<br>Sheikha Bibi graduated in 2003 with a B.A in Liberal Arts from The New School University of New York City. She founded in 2005 the Social Work Society (SWS), a Kuwaiti civil-society organization aimed to protect, support, and provide services to victims of human rights violations and marginalized groups. She was awarded the Prestigious Chaillot prize for her persistent promotional efforts on human rights in the Arabian Gulf. | 08/05/2022 |
| Mr. Mazen Issam Hawwa (Representing Al-Dhiyafa United Real Estate Co.) | Executive | Mr. Mazen Issam Hawwa has been serving as URC's Vice-Chairman and Group Chief Executive Officer since 2020 , he is a senior executive with over 25 years of multi-facet experience in various industries including real estate and financial services. and sits on the board of its several group companies.<br>Mr. Hawwa joined KIPCO Group as part of the finance and accounts team in 2001 and was last the Deputy Group Chief Operating Officer leading finance and operations. He also serves on the board of several KIPCO operating subsidiaries providing thought leadership, advice on strategic directives, financial planning, and governance .<br>Mr. Hawwa holds an Executive MBA from HEC Paris and is a graduate of the Lebanese American University. He has attended several executive education programs, including the General Management Program at Harvard Business School, and holds several professional qualifications from prominent US-based institutions. | 08/05/2022 |



CORPORATE GOVERNANCE REPORT

| Name | Membership | Qualifications & Experience | Election Date / Appointment |
|---|---|---|---|
| Mrs. Sanaa Abdullah Al Hadlaq (Representing First North Africa Real Estate Company) | Non-Executive | Mrs. Sanaa Al-Hadlaq enjoys an extensive and demonstrated experience in the field of investment and wealth management.<br>She joined KAMCO Investment Company in 2002 and is currently the Senior Executive Director of wealth Management. In addition to being a board member of several leading companies in the field of real estate, financial and investment services, and a member of board committees.<br>She's known for promoting sound customer relations and advisory, investment opportunities, and developing the company's client base.<br>Prior to joining KAMCO, Mrs. Al-Hadlaq was the Head of Planning and Development at the Kuwait News Agency (KUNA).<br>Mrs. Al-Hadlaq is a graduate of Kuwait University in the field of political science and public administration. She holds several professional qualifications from prominent institutions in the field of wealth management and leadership. | 08/05/2022 |
| Sheikh. Fadel Khaled Al-Sabah | Independent | Sheikh Fadel Al-Sabah has 40 years of experience in the fields of business management and real estate investment, he holds a post graduate degree in business administration. | 08/05/2022 |
| Mr. Mahmoud Ali Tifouni (Representing Al-Zad Real Estate Co.) | Non-Executive | Mr. Mahmood Tifouni has over 17 years of experience in the field of Asset Management.<br>He serves as the Director for Equity & Fixed Income at KAMCO Invest, along with his membership among several boards of directors including Manafea Holding Company, and URC and actively serves among Board Committees.<br>Prior to joining KAMCO, he co-founded in 2005 the Social Work Society (SWS), a Kuwaiti civil society organization aimed to protect, support, and provide services to victims of human rights violations and marginalized groups. And worked at the Kuwait Fund for Arab Economic Development.<br>Mr. Mahmood holds a bachelor's degree in Finance from the University of Denver since 2002. | 08/05/2022 |

| Name | Membership | Qualifications & Experience | Election Date / Appointment |
|---|---|---|---|
| Mr. AbdulAmir Al-Muscati | Independent | Mr. Abdul Amir Al Muscati has over 19 years of experience in the fields of communications, contracting, project management and real estate development.<br>He is the General Manager of Middle East Telecommunications Company (METCO) in addition to his membership on the board of directors of United Real Estate company.<br>Prior to that, Mr. Abdul Amir served as the VP, of business development at United real estate Company, as well as the CEO of Al Dhiyafa Holding Company, and the General Manager of United Universal Company and United Real Estate Company, Bahrain. In addition to his membership at the boards of Al Dhiyafa Holding Company, United Facilities Management, and Al Reef Real Estate Company, Oman.<br>Mr. Abdul Amir has a bachelor's degree in electrical engineering from California State University, Los Angeles. | 08/05/2022 |
| Mr. Adel Jassem Al-Waqayan (Representing Tadamon United Holding Company) | Non-Executive | Mr. Adel Jassem Al-Waqayan has over 33 years of experience in the banking and real estate investment sectors, he holds an MBA from the University of Southern Indiana (USI). | 08/05/2022 |
| Mr. Abdo Salameh ElDabe | Board Secretary | Mr. Abdo Salameh El Dabe has more than 28 years of experience and specialization in various legal fields, including civil laws, commercial laws, corporate laws, and capital markets authority laws. He has extensive exposure to legal procedures, rules and practices applicable in Kuwait and among many countries in the Middle East. As well as in mergers and acquisitions, Private and Public Partnerships (PPP), real estate development, , real estate management, services, contracting and hospitality projects. He heads the department of legal affairs and litigation at United Real Estate Company.<br>Mr. Abdo holds a bachelor's degree in law from the Faculty of Law at Alexandria University, Arab Republic of Egypt, and has participated in many scientific and legal events and conferences in various aspects of the law and its practices. | Appointed on 12/08/2021 |



CORPORATE GOVERNANCE REPORT

- Brief on the Company's Board of Directors' meetings, through the following statement:

Board of Directors Meetings in 2022

The Board of Directors (BOD) was formed during the Annual General Meeting (AGM) held on 08/05/2022. The BOD held 12 meetings during 2022. The meetings details are as follows:

| Name of Member (New Structure) | Meeting No. (1) Held on 06/01/22 | Meeting No. (2) Held on 13/03/22 | Meeting No. (3) Held on 22/03/22 | Meeting No. (4) Held on 29/03/22 | Meeting No. (5) Held on 21/04/22 | Meeting No. (6) Held on 08/05/22 | Meeting No. (7) Held on 11/05/22 |
|---|---|---|---|---|---|---|---|
| 1. Sheikha. Bibi Nasser Al-Sabah (Chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. Mr. Mazen Issam Hawwa (Vice Chairman & Group CEO) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. Sheikh. Fadel Khaled Al-Sabah (Independent Member) | X | ✓ | X | ✓ | ✓ | ✓ | X |
| 4. Mr. AbdulAmir Al-Muscati (Independent Member) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. Mr. Tariq Mohammed AbdulSalam (Non-Executive Member - Former) | X | X | ✓ | X | X | - | - |
| Mrs. Sanaa Abdullah Al Hadlaq* (Non-Executive Member - Current) | - | - | - | - | - | ✓ | ✓ |
| 6. Mr. Mahmoud Ali Tifouni (Non-Executive Member) | ✓ | X | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7. Mr. Adel Jassem Al-Waqayan** (Non-Executive Member) | ✓ | ✓ | X | ✓ | ✓ | ✓ | X |

| Name of Member (New Structure) | Meeting No. (8) Held on 21/07/22 | Meeting No. (9) Held on 09/08/22 | Meeting No. (10) Held on 17/08/22 | Meeting No. (11) Held on 2/11/22 | Meeting No. (12) Held on 21/12/22 | Number of Meetings |
|---|---|---|---|---|---|---|
| 1. Sheikha. Bibi Nasser Al-Sabah (Chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | 12 |
| 2. Mr. Mazen Issam Hawwa (Vice Chairman & Group CEO) | ✓ | ✓ | ✓ | ✓ | ✓ | 12 |
| 3. Sheikh. Fadel Khaled Al-Sabah (Independent Member) | ✓ | x | x | x | x | 5 |
| 4. Mr. AbdulAmir Al-Muscati (Independent Member) | ✓ | ✓ | ✓ | ✓ | ✓ | 12 |
| 5. Mr. Tariq Mohammed AbdulSalam (Non-Executive Member - Former) | - | - | - | - | - | 8 |
| Mrs. Sanaa Abdullah Al Hadlaq* (Non-Executive Member - Current) | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 6. Mr. Mahmoud Ali Tifouni (Non-Executive Member) | ✓ | ✓ | ✓ | ✓ | x | 10 |
| 7. Mr. Adel Jassem Al-Waqayan** (Non-Executive Member) | x | ✓ | x | x | x | 6 |

*The Board Director – First North Africa Real Estate Company – has appointed Mrs. Sanaa Abdullah Al Hadlaq as its representative during the Board meeting No. 6.2022.

** The Board Directors has approved the resignation of Tadamon United Holding Company including its representative Mr. Adel Jassem Al-Waqayan from its board membership during its meeting No.5.2022 on the 2nd of October 2022.





- **Summary about the application of the requirements of registration, coordination and the keeping of minutes of meetings of the Company's Board of Directors :**

United Real Estate Company K.S.C.P (URC) (the "Company") implements the registration, coordination, and recording of Board minutes of meetings relevant requirements.

Meetings are to be held by the invite of the Chairperson of the Board and in case of an emergency meeting, a written request must be submitted by two members of the Board. In 2022, no emergency meetings were held. Invitations are to be sent with an agenda, along with the related documents to all members of the Board a minimum of three (3) working days prior to the date of the meeting. Meetings are always scheduled after the closure of the trading period in the Boursa. The Board Secretary records all matters discussed and decisions taken while considering any reservations or dissenting opinions raised during the meeting. Minutes of meetings are recorded and filed under sequential numbers by year, place of meeting, date, and time (start to end). Minutes of meeting are signed by all attended members and kept at easy access along with the documents presented and discussed.

- **Acknowledgment by the independent member that the controls of independence are available:**

The current independent board members were elected at the AGM as outlined above in the provisions of the application of Rule I, and each independent member submitted a declaration to the Ministry of Commerce and Industry acknowledging that it has the independence controls set out in Module (15) Fifteen "Corporate Governance" of the CMA Executive Bylaws Regulations.

وزارة التجارة والصناعة
Ministry of COMMERCE and Industry

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه عبد الأمير قاسم جعفر علي ، بطاقة مدنية (أو جواز سفر لغير المقيم) رقم 282061901505 ، والمرشح كعضو مجلس إدارة مستقل لدى شركة العقارات المتحدة ش.م.ك. عامة بأنه تتوافر لدي الشروط التالية :

1- أنني أتمتع بالإستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.

2- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الإسم : عبد الأمير قاسم جعفر علي

التاريخ : 08/05/2022

التوقيع :

وزارة التجارة والصناعة
Ministry of COMMERCE and Industry

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه الشيخ/ فاضل خالد الجابر الصباح ، بطاقة مدنية (أو جواز سفر لغير المقيم) رقم 246120300067 ، والمرشح كعضو مجلس إدارة مستقل لدى شركة العقارات المتحدة ش.م.ك عامة بأنه تتوافر لدي الشروط التالية :

1- أنني أتمتع بالإستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.

2- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الإسم : الشيخ/ فاضل خالد الجابر الصباح

التاريخ : 08/05/2022

التوقيع :

## Second Rule

### Establish Appropriate Roles and Responsibilities

- **Brief on the way the company defines the policy of the tasks, responsibilities, and duties of each Member of the Board of Directors and the Executive Management members, as well as the powers and authorities delegated to the Executive Management:**

The Company has defined in its Article of Association (AOA) the roles and responsibilities of the Board of Directors. Additionally, the Company has set a Board charter in which the responsibilities of the Board of Directors as a whole are defined along with the roles and responsibilities of each member, as well as the Chairperson and the Executive Management. The Board of Directors periodically reviews and approves the delegation of authority manual and matrix, which is specified in detail with a set period of time for both members of the Board and Executive Management in regard to administrative, financial and operational transactions related to the Company's operations and activities. Ultimately, the Board is responsible for the Company, even if it forms committees or delegates work to others.

**Achievements of the Board of Directors during the year:**

- Discuss and approve the audited annual financial statements for 2021 as well as interim financial statements for the year 2022.
- Approve the Company's updated policies and procedures.
- Monitoring and supervising the performance of Executive Management and taking necessary measures to improve performance.
- Discuss and follow-up on the latest Company developments such as, (Hessah Al Mubarak District Project - Assoufid Phase II Project - Manazil "Egypt" Project).
- Discuss and approve the reports submitted by the various committees to the Board of Directors.
- Discuss new investment opportunities offered by and to the Company.



CORPORATE GOVERNANCE REPORT

- **An overview on the requirements for forming independent and dedicated Board Committees:**

| Name of Committee | Nomination & Remuneration Committee | Audit Committee | Risk Management Committee |
|---|---|---|---|
| Committee Tasks | ▪ Look into any nominations submitted by shareholders in relation to candidates for BOD members.<br>▪ Approve nominations of Board members who will be elected by shareholders at AGMs, as well as filling vacant positions on the Board.<br>▪ Review, evaluate and recommend, when necessary, policies for rewards and remunerations for BOD and employees at URC.<br>▪ Ensure periodically the independence of independent BOD members.<br>▪ Review annual requirements and experts for the BOD. | ▪ Ensure effectiveness of the Company's internal controls and risk management systems.<br>▪ Ensure the independency of the External Auditor.<br>▪ Ensure effectiveness of the Company's system to comply with legal and regulatory requirements, ethics, and rules.<br>▪ Ensure the integrity and accuracy of financial statements.<br>▪ Evaluate the performance of external and internal auditors. | ▪ Adopt principles, policies, strategies, operations, and frameworks for risk management.<br>▪ Approve and/or recommend changes to risk appetite, as needed.<br>▪ Assist BOD and Executive Management in identifying and assessing acceptable level of risk for the Company. |
| Achievements throughout the Year | ▪ Reviewed the qualifications of the nominee for the BOD and executive management and provide its recommendation to the BOD.<br>▪ Approved annual bonuses for the Company and its subsidiaries' employees.<br>▪ Ensured independence of independent BOD members.<br>▪ Reviewed regularly required skills and qualifications for joining the BOD.<br>▪ Prepared job descriptions for all the BOD members.<br>▪ Performed the board self-assessment. | ▪ Reviewed and discussed interim and annual financial statements to ensure integrity and accuracy before Board approval.<br>▪ Recommended to the BOD on appointing external auditors, monitored their performance and ensured their independence.<br>▪ Reviewed and reported the internal control systems in the Company.<br>▪ Supervised internal audit department and approved the annual audit plan.<br>▪ Appointed independent auditors to review the Internal Control Systems. | ▪ Approved the Risk Management Department's structure and policies.<br>▪ Granted powers to Risk Management Department employees to carry out duties in a manner that does not conflict with their supervisory role.<br>▪ Monitored performance of the Company's operation projects to determine acceptable level of risk.<br>▪ Reviewed recommendations of Risk Management Department that concern related parties' transactions.<br>▪ Submitted regular reports to the BOD on risk assessment and mitigations. |

| Date of Formation | Committee Tenure | Members of the Committee | Number of Meetings/Year |
|---|---|---|---|
| 08/05/2022 | 3 years | Sheikha\ Bibi Nasser Al-Sabah – President<br>Sheikh\ Fadel Al-Sabah – Member<br>Mr. Mahmoud Ali Tifouni – Member | 2 |
| 08/05/2022 | 3 years | Mr. Mahmoud Ali Tifouni – President<br>Mrs. Sanaa Abdullah Al Hadlaq – Member<br>Mr. AbdulAmir Al-Muscati – Member | 9 |
| 08/05/2022 | 3 years | Sheikh\ Fadel Al-Sabah – President<br>Mr. Mazen Issam Hawwa – Member<br>Mrs. Sanaa Abdullah Al Hadlaq – Member | 5 |

- Summary about the application of the requirements that allow the Members of the Board of Directors to obtain accurate and timely information and data:

The Company has implemented a set of requirements through an integrated information system connected to its accounting system (Oracle Cloud). By doing this, system users can create the necessary financial and analytical reports to follow up on various operations within the Company, enabling Board members to obtain information accurately and promptly manner to evaluate operating performance and make necessary decisions.





## Third Rule

### Recruit Highly Qualified Candidates for Members of the Board of Directors and Executive Management

- **Brief about the application of the formation requirements of the Nominations and Remunerations Committee:**

The Board of Directors has formed a Nomination and Remuneration Committee, which consists of 3 Board members (two non-executive members + independent member). As previously mentioned, the committee is responsible for preparing recommendations concerning nominations for Board membership as well as nominations for positions in Executive Management. The committee shall annually ensure the independence of independent Board members, as well as approve annual bonuses for the Board members, Executive Management, and employees. The Committee has also prepared the job descriptions of each of the Board members and annually reviews the needs and required skills for the Board members to ensure the effectiveness and efficiency of the current Board structure in managing and improving the performance of the Company.

- Report on the remunerations of the Members of the Board of Directors and Executive Management and Managers:
  1- Brief of the applied compensation and remuneration policy

The Company has approved the BOD compensation and remuneration policy as well as the compensation and benefits policy for Executive Management and employees, the policies have been designed to be a motive to achieve the Company's strategic and operational goals. The application of these policies depends on the level of performance and achievements of the members and employees as well as on the final results of the Company's operational activities in accordance with the relevant laws and regulations.

2- Compensation and Benefits statement:

| Board of Directors' Remunerations and Benefits | | |
|---|---|---|
| Total Number of Board Members | 6 | |
| Remuneration and benefits | from Parent Company (KD) | from Subsidiaries (KD) |
| Fixed | | |
| Medical Insurance | 0 | 0 |
| Allowances | 0 | 0 |
| Variable | | |
| Annual remunerations | 0 | 0 |
| Committee remunerations | 0 | 0 |

*Upon approval during the Annual General Meeting



CORPORATE GOVERNANCE REPORT

| Total of remuneration and benefits given to Senior Executives | | |
|---|---|---|
| Total Number of Current Executive Designations | 6 Members* | |
| Remuneration and Benefits | from Parent Company (KD) | from Subsidiaries (KD) |
| Fixed | | |
| Total Monthly salaries during the year | 448,200 | 0 |
| Medical Insurance | 10,209 | 0 |
| Travel Tickets | 34,812 | 0 |
| Housing Allowance | 30,000 | 0 |
| Transportation Allowance | 22,400 | 0 |
| Child Educational Allowance | 39,000 | 0 |
| Other remunerations and benefits | 171,798 | 0 |
| End of service compensation (for 6 Executives*) | 115,507 | 0 |
| Variable | | |
| Annual remunerations | 96,820 | 0 |

*The designations include the Group Chief Executive Officer and Group Chief Financial Officer.

3- Any substantial deviations from remuneration policy approved by Board of Directors:

No deviations have been recorded during the year 2022.

## Fourth Rule

### Safeguarding the Integrity of Financial Reporting

- **Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports:**

The annual financial statements for the year 2022 submitted to the shareholders included an undertaking from the Board of Directors ensuring the integrity and accuracy of all data presented in the financial report. Additionally, the Executive Management, represented by the GCFO, also presented their undertaking to the Board of Directors ensuring that the financial reports and statements submitted for the financial year ending on 31/12/2022, were presented in a sound and fair manner and were prepared per the generally accepted international accounting standards.

- **Brief about the application of the formation requirements of the Audit Committee:**

The Board of Directors formed the Audit Committee, which consists of 3 members (2 non-executive members + 1 independent member). The committee consists of expertise, qualifications, and experience that enables it to perform duties. As well as help the BOD ensure accuracy and effectiveness of the internal controls of the Company.

- **There are no conflicts between recommendations from the Audit Committee and decisions of the BOD:**

The Audit Committee accomplished its duties during 2022 and did not record any conflicts between the committee's recommendations and the Board's decisions.

- **Verification of the independence and neutrality of the external Auditor:**

The Audit Committee follows up on the external auditors (Ernst & Young) appointed during the AGM. The committee also verifies the independence of the auditor regularly and that they have no direct or indirect interest within the Company that it has not provided any other services to the Company other than the agreed audit services.



CORPORATE GOVERNANCE REPORT

## Fifth Rule

### Apply Sound Systems of Risk Management and Internal Audit

- **Brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management:**

The Company has established an independent department for identifying and managing risks. A Risk Manager has been appointed to oversees risk management tasks for the Company. The department is independent as it is directly reporting to the Risk Management Committee. The administration has been granted full authority for assistance in undertaking tasks that monitor and measure the kinds of risks to which the Company's operations may be exposed to.

- **Brief about the application of the formation requirements of the risk management committee:**

The Company has implemented the requirements to form a Risk Management Committee that consists of three members from the Board of Directors without the Board Chairperson, bearing in mind that the Committee Chairperson is a non-executive member.

- **Summary clarifying the control and internal audit systems:**

The Company put in place an effective system that works to preserve financial integrity by setting out a list of financial authorities and powers that have been approved by the Board of Directors.
The application and activation principle of dual control is considered in terms of (1) examination and review, (2) accreditation and signature, (3) defining the power and authority of all relevant administrative levels within the Company, and (4) dual signature on financial transactions. These regulations are reviewed periodically.
On the other hand, the Company annually evaluates the internal control system through the Audit Committee and an assigned independent auditor who submits a comprehensive report in this regard.

- **Brief statement on the application of the formation requirements of the internal audit department/ office/ unit:**

The Company established a completely independent internal audit department, which reports directly to the Audit Committee and the Board of Directors. The Board Audit Committee approves the department's work plan, which details the tasks and responsibilities of the Internal Audit Department.

## Sixth Rule

### Promote the Code of Conduct and Ethical Standards

- **Summary of the business charter including standards and determinants of the Code of Conduct and Ethical Standards:**

The Company has established a Code of Conduct and Ethics policy in a way that contributes to the effective performance of both the members of Board of Directors and all other employees. This includes, for example:

1. Commit to achieving the Company's best interests and not to abuse authority.
2. Apply ethical instructions and relevant laws.
3. Determine the professional behaviors required to work within the Company such as confidentiality of information, submission of proposals, acceptance of gifts and benefits.
4. Establish a policy for reporting violations and designing a reporting system available to internal and external stakeholders.
5. Establish disciplinary procedures in accordance with Kuwait's Labor Laws that shall be followed in the event of undesirable behaviors.

- **Summary of the policies and mechanisms on reducing conflicts of interest:**

The Board of Directors has reviewed and approved conflict of interest policies, related-party transactions policy to prevent nepotism, and a policy to protect the rights of shareholders and stakeholders, clarifying the means to deal with conflict-of-interest cases in accordance with the relevant laws and regulations.

## Seventh Rule

### Ensure Timely and High-Quality Disclosure and Transparency

- **Summary on the application of accurate and transparent presentation and disclosure mechanisms that define aspects, areas and characteristics of disclosure:**

The Board of Directors adopted a disclosure and transparency policy and procedures that is periodically placed under review. The policy clarifies the mechanisms used within the Company to determine the essential information and the mechanism of disclosure, whether financial or non-financial, in the appropriate form and time, that allows shareholders and interested investors to understand and view them. The policy is under a periodical review and subject for changes and updates according to the relevant regulations.





- **Brief about the application of the requirements of the Board of Directors disclosure and executive management disclosures:**

A register has been arranged for all Company disclosures and those related to members of the Board of Directors and Executive Management and the persons included in the list of insiders of the Company. This record is updated periodically and is available for review by the shareholders of the Company.

Complying with CMA resolutions, the company has established a register that includes the details of the remunerations, compensations, salaries, incentives, and any other financial benefits that have been paid to the BOD, Company's executive management and managers through URC or/and its subsidiaries. The Company is planning to update this register periodically and available for shareholders to review.

- **Brief statement on the application of the formation requirements of a unit of investors affairs:**

An independent unit has been established to regulate investor affairs with the authority to provide financial data, information and necessary reports for interested investors in a timely and accurate manner that is appropriate to the disclosure mechanisms adopted within the Company.

- **Brief on the way to develop the infrastructure for the information technology on which it shall significantly rely on in the disclosure processes:**

A corporate governance page has been designed on the Company's website that displays all information, data, news and disclosures, allowing current and potential shareholders and investors to exercise their rights and evaluate the Company's performance.

## Eighth Rule

### Respect the Rights of Shareholders

- **Summary on the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders:**

The Company has implemented the requirements for defining and protecting the general rights of all categories of shareholders that ensure upholding the principle of justice and equality. The Company started to amend its articles of association to ensure that its system guarantees the protection of the rights of all shareholders, and in a manner that is consistent with the State of Kuwait Company's Law and its executive bylaw. The Board approved a policy to protect the rights of shareholders that present public rights to them without discrimination, along with how to exercise these rights, given that this does not affect the Company's interests negatively and those of the shareholders, and updating this policy in accordance with the relevant laws and instructions.

- **Summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data:**

Coordination with Kuwait Clearing Company in its capacity as the direct party responsible for creating and maintaining a special record in which the data of all shareholders is recorded. It is constantly regularly updated upon notification of any changes in the data registered earlier, and this record is available for shareholders to review in accordance with the investor relation unit and the procedures determined by the clearing company.

- **Brief on the way to encourage shareholders to participate and vote in the Company's general assembly meetings:**

The Company is obligated when convening its ordinary and extraordinary general assemblies to invite all its shareholders, informing and reminding them of the details of the assembly in terms of time, place and agenda, and to provide attendance documents in the event the shareholder wants to appoint another person to attend on their behalf, and to ensure that the attendance ratio is sufficient for the quorum of the association and to encourage attendees to inquire, discuss agenda items and get approval through a fair voting mechanism.

## Ninth Rule

### Recognize the Roles of Stakeholders

- **Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders:**

  The Board of Directors has adopted the shareholders and stakeholder's rights policy. This policy includes the rules and procedures to be followed with stakeholders to ensure that their rights are protected and that they are compensated if these rights are violated. Besides, internal control systems must monitor the Company's compliance with relevant laws and regulations.

- **Brief on the way to encourage stakeholders to keep track of the Company's various activities:**

  In line with the shareholders and stakeholder's rights policy, the Company now has several procedures that enable stakeholders to follow its activities and encourage their participation in those activities, as well as determine mechanisms for obtaining the necessary information and data that complies with the realization of the interest. It also encourages their participation in reporting violations or any inappropriate practices.





## Tenth Rule

### Encourage and Enhance Performance

- **Summary on the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly:**

URC developed and administered a training program for the Executive Management in 2022 related to Enterprise Risk Management covering the topic of Risk Awareness and Risk Appetite. Furthermore, URC has partnered with Linked-in learning and mandated all it's a employees a minimum number of coursed hours per month, with monitoring and reporting over the process by the HR. The following lists depicts some of the courses attended by URC's BOD.

| Name | Training Programs and Courses |
|---|---|
| Mr. Mazen Issam Hawwa | • Cyber Security, Risk and Privacy Briefing for Board<br>• Future of Banking, Challenges and Trends<br>• Financial, Fraud & AML updates |
| Mr. AbdulAmir Al-Muscati | • Achieving 2035 Vision through Digital Innovation<br>• Microsoft Smart Government Summit |
| Mr. Mahmoud Ali Tifouni | • Excel for Finance |
| Mrs. Sanaa Abdullah Al Hadlaq | • Advanced Presentation Skills and Storytelling |

- **Brief on the way to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management:**

The program for evaluating the performance of the Board of Directors was formulated and adopted through self-assessment by each Board member, designed according to the best practices used to analyze the performance of the Board as a whole, as well as each individual member.

The Board of Directors and the Nomination and Remuneration Committee annually review the evaluations of the members of the Executive Management.

- **An overview of the Board of Director's efforts in asserting the importance of corporate value creation with the employees at the company through achieving the Company's strategic goals and improving key performance indicators:**

The Board of Directors has set strategic goals that the Company seeks to achieve, with short, medium and, long term plans put forward to reach the desired outcomes. Policies and procedures that contribute to achieving these goals and improving performance have also been set by the Board. This process will enhance and develop institutional values by increasing stakeholder confidence, encouraging self-monitoring and management risks, and promoting the concept of governance and a culture of commitment.

## Eleventh Rule

### Focusing on the Importance of Corporate Social Responsibility (CSR)

- Summary of the development of a policy to ensure a balance between each of the Company goals and society goals:

The Company's CSR policy was prepared and approved to clarify its emphasis on contributing to the economic and social development of the communities it serves and the importance of partaking in social advancement on a broader scale and its employees in particular.

- Brief about the programs and mechanisms helping to highlight the Company's efforts exerted in the field of social work:

▪ Subject: Youth and Sports:

i. URC was the main sponsor of the "GIG Battle" sports tournament 2022, held from 2nd to 3rd December at Green Island. Battle of the East (BOE) is the most recognized and respected event of its kind in the Middle East and Asia. The battle takes place in Kuwait annually and draws athletes from all over the MENA, as well as international athletes from Europe and the USA.

ii. URC also collaborated with Flare Fitness to sponsor the 7th 'Flare Festival' which was held at the Marina Crescent from the 3rd to the 5th of November 2022. The fitness event is one of the largest of its kind in Kuwait and falls in line with some of the key objectives under URC's corporate social responsibility framework.

▪ Subject: Advocating Women Empowerment:

i. URC announced its partnership with UN to promote Women's Empowerment Principles (WEPs) which aims to promote the adoption of real and sustainable policies on various topics related to recruitment, retention, and leadership and complements the vision of URC to promote gender-equal work environment.

ii. On August 26th which marks Women's Equality Day, URC celebrated this important occasion to salute all the inspiring women that are part of URC's family and show solidarity towards women. It is worth mentioning that 31% of URC's employees are made of women.

iii. URC also illuminated "Hessah Towers" in orange in solidarity with the global initiative 'Orange the World Day' to raise more awareness about the importance of living in a society free of violence aimed at creating an inclusive culture based on trust, respect, and equality.

iv. URC Continued Supporting KFA "Women's Futsal League" for the third year in a row as the Official title sponsor of the 2022/2023 season. This sponsorship comes in line with URC's strategy that aims to promote the adoption of real and sustainable policies on various topics related to empowering the youth with equal opportunity through education, entrepreneurship, innovation, environmental impact, and healthy living that goes in line with Women's Empowerment Principles (WEPs).



CORPORATE GOVERNANCE REPORT

▪ Subject: Supporting Students and Education:

i. As part of its social responsibility and its keenness to support students and youth and to honor the achievers, URC has participated in the graduation seminars of the students at the American University of Kuwait (AUK).

ii. URC fostered the graduation projects of Kuwait University (KU) students – College of Architecture through site visits covering an array of topics including Hessah District project development concept; impact on construction; masterplan; components; building materials, finishes and how they were selected; and sustainability. As a conclusion to this activity, the students developed their term project around a boutique hospitality concept for final judging by a committee of KU instructors and URC's engineers.

iii. URC has also signed a Memorandum of Understanding (MoU) with the Australian University (AU) in Kuwait aiming to establish cooperation and execution of joint programs such as holding training workshops, providing academic and research expertise, internal internships, and organizing social and educational activities and events to serve students, and many other aspects of cooperation.

▪ Subject: Persons with Special Needs:

i. URC is committed to maintaining its position as part of Kuwait's integral social fabric and perceives such gestures as a moral obligation, offering support to these young patients. In 2022, URC announced its collaboration with the Kuwait Association for the Care of Children in Hospital & Bayt Abdullah Children's Hospice (KACCH & BACCH) which aims to draw a smile on the children's faces by distributing gifts and toys to children's playrooms in various hospitals across Kuwait.

▪ Subject: Health & Wellness:

i. URC announced its participation as the main sponsor in the annual fundraising marathon 'RunKuwait', organized by the Fawzia Sultan Healthcare Network (FSHN), a leading nonprofit healthcare organization in Kuwait that provides high-quality care across a number of clinical specialties.

ii. As part of the World Diabetes Awareness campaign, URC in collaboration with Al Salam International Hospital conducted a workshop for its employees in support of raising awareness against diabetes. The workshop comes as part of URC's wellbeing program that aims to improve employees' health and lifestyle, provide them with screening, as well as inform them about practices to lower the risk of having diabetes. URC has also organized an integrated awareness campaign on breast cancer during the month of October titled "Be Aware" in Marina mall in collaboration with various health entities to encourage people to take care of their health.

Bibi Nasser Sabah Al-Ahmad Al-Sabah

Chairperson

# CONSOLIDATED
# **FINANCIAL STATEMENTS**

شركة العقارات المتحدة
United Real Estate Co

United Real Estate Company
K.S.C.P
Authorized and Paid-up Capital KD 143,054,551.3
C.R.: 19140/1980

شركة العقارات المتحدة
ش.م.ك. (عامة)
رأس المال المصرح به والمدفوع 143,054,551.3 د.ك.
سجل تجاري رقم 19140/1980

Date: 04 May 2023

Messrs. Esteemed Shareholders

**Subject: Confirmation of soundness and accurateness of financial reports for the financial year ended on the 31st of December 2022**

Reference to the above-mentioned subject, and in compliance with United Real Estate Company K.S.C.P policies and procedures to ensure the soundness and accurateness of its financial statements as one of the major indicators of the Company's integrity, credibility and transparency in presenting its financial position to increase investors' confidence and the realization of shareholders' rights, and in compliance with Article No. 5-3 of chapter No. 5 of the Corporate Governance Rules of the CMA executive bylaws.

We, members of the Board of Directors confirm that as per our periodic review of the interim financial statements results, the Company's financial reports for the financial year ended on the 31st of December 2022 are accurate and sound and expose all the Company's financial aspects including information and results related to the Company's activities, furthermore, the financial reports have been prepared in accordance with international financial reporting standards.

Yours sincerely,

Bibi Nasser Sabah Al-Ahmed Al- Sabah
Chairperson

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# UNITED REAL ESTATE COMPANY K.S.C.P. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2022

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED REAL ESTATE COMPANY K.S.C.P.**

**Report on the Audit of Consolidated Financial Statements**

***Opinion***
We have audited the consolidated financial statements of United Real Estate 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, and the consolidated income statement, 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 significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

***Basis for Opinion***
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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.





***Valuation of investment properties***
Investment properties are significant to the Group's consolidated financial statements. The management determines the fair value of its investment properties and uses external appraisers to support the valuation. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions, such as average net initial yield, reversionary yield, inflation rate, vacancy rates, growth in rental rates, market knowledge and historical transactions.

The external valuers have included a material valuation uncertainty clause in their valuation report. This represents a significant estimate uncertainty in relation to the valuation of investment properties.

Given the size and significance of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

Our audit procedures included, amongst others:

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis, particularly in light of Covid-19 pandemic.
- Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties. We also assessed the adequacy of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 9 of the consolidated financial statements.

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

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

***Key Audit Matters (continued)***

***Accounting for business combinations and merger***

During the year, the Group has completed the acquisition of United Towers Holding Company K.S.C. (Closed) ("UTHC"), by issuing new shares of the Parent Company to the UTHC shareholders at a purchase consideration of KD 11,718,626. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method. The Parent Company is the legal successor of UTHC's all rights and obligations on the date of the of the merger. As a result, UTHC's shares will be cancelled. The details of the business combinations and merger have been detailed in note 28 to the consolidated financial statements

The Group performed a purchase price allocation ("PPA") and determined the fair values of the assets and liabilities acquired resulting in a gain on bargain purchase of KD 32,069,143.

We have determined this to be a key audit matter based on the significance of the transaction and considering that significant management's judgments and estimates are involved in the recognition and measurement of the acquired assets and liabilities and complexity of the related disclosures.

As part of our audit procedures on the accounting of the acquisition and merger, we have read the Share Swap agreement and reviewed the minutes of the relevant Board of Directors and General Assembly meeting meetings as well as regulatory approvals obtain to understanding of the terms and condition of the acquisition and merger. We assessed whether the accounting treatment has been appropriated applied in accordance with the IFRS 3 *Business combinations*. In this connection, we assessed the criteria used for recognition of the transaction as business combination, the determination of acquisition date and the purchased consideration.

We evaluated whether external valuer appointed by management to assist as part of their purchase price allocation exercise has the necessary competency, capabilities and objectivity for audit purpose. We assessed the reasonableness of the provisional fair values of the assets acquired and liabilities assumed, including evaluation of the valuation methodology and testing the arithmetical accuracy.

We also assessed the adequacy of the related disclosures in Note 28 to the consolidated financial statements.



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

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

***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 auditors' report thereon. We obtained the report of the Parent Company's

Board of Directors prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

***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 scepticism throughout the audit. We also:

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED REAL ESTATE COMPANY K.S.C.P. (continued)**

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

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

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

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED REAL ESTATE 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, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company.

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

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

30 March 2023
Kuwait

United Real Estate Company K.S.C.P. and Subsidiaries

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | *2022 KD* | *2021 KD* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 9 | **131,974,351** | 130,804,413 |
| Investment properties | 8 | **383,828,208** | 260,713,357 |
| Investment in associates | 7 | **40,151,284** | 58,649,178 |
| Financial assets at fair value through other comprehensive income | 6 | **2,386,102** | 3,420,747 |
| Loan to an associate | 7 | **15,933,124** | 25,160,230 |
| Intangible assets | | **1,603,160** | 1,696,840 |
| | | **575,876,229** | 480,444,765 |
| **Current assets** | | | |
| Properties held for trading | 5 | **24,359,052** | 55,494,092 |
| Accounts receivable, prepayments and other assets | 4 | **46,680,369** | 50,293,939 |
| Cash, bank balances and short-term deposits | 3 | **20,799,397** | 14,197,931 |
| | | **91,838,818** | 119,985,962 |
| **TOTAL ASSETS** | | **667,715,047** | 600,430,727 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 11 | **267,314,088** | 215,682,707 |
| Bonds | 12 | **-** | 60,000,000 |
| Deferred tax liabilities | 21 | **31,189,423** | 31,523,858 |
| | | **298,503,511** | 307,206,565 |
| **Current liabilities** | | | |
| Interest bearing loans and borrowings | 11 | **35,457,209** | 30,845,376 |
| Accounts payable, accruals and other payables | 10 | **85,210,618** | 77,676,396 |
| Bonds | 12 | **60,000,000** | - |
| | | **180,667,827** | 108,521,772 |
| **Total liabilities** | | **479,171,338** | 415,728,337 |
| **EQUITY** | | | |
| Share capital | 13 | **143,054,551** | 118,797,442 |
| Share premium | 13 | **15,550,698** | 15,550,698 |
| Statutory reserve | 14 | **20,877,509** | 20,511,526 |
| Voluntary reserve | 15 | **2,582,767** | 2,582,767 |
| Treasury shares | 16 | **(15,503,985)** | (14,478,743) |
| Treasury shares reserve | | **491,325** | 491,325 |
| Other reserve | | **(16,410,588)** | (16,135,680) |
| Cumulative changes in fair values | | **(3,257,401)** | (2,019,804) |
| Foreign currency translation reserve | | **(17,308,405)** | (9,054,420) |
| Revaluation surplus | | **36,233,318** | 37,635,189 |
| Retained earnings | | **21,878,726** | 15,834,993 |
| **Equity attributable to equity holders of the Parent Company** | | **188,188,515** | 169,715,293 |
| Non-controlling interests | | **355,194** | 14,987,097 |
| **Total equity** | | **188,543,709** | 184,702,390 |
| **TOTAL LIABILITIES AND EQUITY** | | **667,715,047** | 600,430,727 |

Bibi Naser Sabah Al Ahmad Al Sabah
Chairperson

The attached notes 1 to 31 form part of these consolidated financial statements.



United Real Estate Company K.S.C.P. and Subsidiaries

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

| | Notes | ***2022 KD*** | *2021 KD* |
|---|---|---|---|
| **REVENUE** | | | |
| Gross rental income | | **20,880,080** | 18,813,483 |
| Hospitality income | | **12,199,180** | 9,457,832 |
| Contracting and services revenue | | **47,030,695** | 53,708,983 |
| Sale of properties held for trading | | **380,989** | 780,460 |
| Other operating revenue | | **4,132,523** | 2,146,983 |
| | | **84,623,467** | 84,907,741 |
| **COST OF REVENUE** | | | |
| Properties operating costs | | **(5,534,759)** | (4,067,158) |
| Rental expense on leasehold properties | | **(2,039,756)** | (1,940,378) |
| Hospitality costs | | **(8,554,734)** | (7,096,641) |
| Depreciation of hospitality assets | 9 | **(3,069,151)** | (2,935,659) |
| Contracting and services costs | | **(42,186,297)** | (47,995,324) |
| Cost of properties held for trading sold | 5 | **(302,689)** | (780,278) |
| | | **(61,687,386)** | (64,815,438) |
| **GROSS PROFIT** | | **22,936,081** | 20,092,303 |
| Other net operating losses | 17 | **(6,729,817)** | (1,630,749) |
| General and administrative expenses | 18 | **(10,856,228)** | (6,817,383) |
| Depreciation of property and equipment | 10 | **(270,259)** | (254,588) |
| Valuation loss on investment properties | 8 | **(20,998,154)** | (5,723,211) |
| **OPERATING (LOSS) PROFIT** | | **(15,918,377)** | 5,666,372 |
| Other net non-operating loss | 19 | **(664,565)** | (1,937,521) |
| Gain on bargain purchase | 28 | **32,069,143** | - |
| Finance costs - net | | **(13,549,036)** | (11,486,984) |
| Share of results of associates | 7 | **506,267** | 886,990 |
| Gain on sale of an associate | 7(c) | **1,163,836** | - |
| **PROFIT (LOSS) BEFORE TAXATION AND DIRECTORS' REMUNERATION** | | **3,607,268** | (6,871,143) |
| Directors' remuneration | | **(42,000)** | - |
| Taxation expense | 20 | **116,458** | 369,251 |
| **PROFIT (LOSS) FOR THE YEAR** | | **3,681,726** | (6,501,892) |
| Attributable to: | | | |
| Equity holders of the Parent Company | | **3,388,039** | (4,960,009) |
| Non-controlling interests | | **293,687** | (1,541,883) |
| | | **3,681,726** | (6,501,892) |
| **BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY** | 21 | **3.14 fils** | (4.62) fils |

The attached notes 1 to 31 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| **Profit (Loss) for the year** | **3,681,726** | (6,501,892) |
| **Other comprehensive income (loss):** | | |
| *Items that are or may be reclassified to consolidated income statement in subsequent periods:* | | |
| Exchange difference on translation of foreign operations | **(9,436,345)** | (1,555,729) |
| **Net other comprehensive (loss) income that are or may be reclassified to consolidated income statement in subsequent periods** | **(9,436,345)** | (1,555,729) |
| *Items that will not be reclassified to consolidated income statement subsequent periods:* | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income | **(1,237,597)** | (9,084) |
| Revaluation gain of property and equipment (Note 9) | **(839,752)** | 6,679 |
| Deferred tax on revaluation gain of property and equipment (Note 20) | **(14,397)** | (1,106) |
| **Net other comprehensive loss that will not be reclassified to consolidated income statement in subsequent periods** | **(2,091,746)** | (3,511) |
| **Other comprehensive loss** | **(11,528,091)** | (1,559,240) |
| **Total comprehensive loss for the year** | **(7,846,365)** | (8,061,132) |
| **Attributable to:** | | |
| Equity holders of the Parent Company | **(6,957,692)** | (3,233,949) |
| Non-controlling interests | **(888,673)** | (4,827,183) |
| | **(7,846,365)** | (8,061,132) |

The attached notes 1 to 31 form part of these consolidated financial statements.





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

| | *Equity attributable to equity holders of the Parent Company* | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital KD* | *Share premium KD* | *Statutory reserve KD* | *Voluntary Reserve KD* | *Treasury shares KD* | *Treasury shares reserve KD* | *Other reserve KD* | *Revaluation surplus KD* | *Cumulative changes in fair values KD* | *Foreign currency translation reserve KD* | *Retained earnings KD* | *Sub-total KD* | *Non-controlling interests KD* | *Total equity KD* |
| As at 1 January 2022 | 118,797,442 | 15,550,698 | 20,511,526 | 2,582,767 | (14,478,743) | 491,325 | (16,135,680) | 37,635,189 | (2,019,804) | (9,054,420) | 15,834,993 | 169,715,293 | 14,987,097 | 184,702,390 |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 3,388,039 | 3,388,039 | 293,687 | 3,681,726 |
| Other comprehensive (loss) income for the year | - | - | - | - | - | - | - | (854,149) | (1,237,597) | (8,253,985) | - | (10,345,731) | (1,182,360) | (11,528,091) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | - | - | (854,149) | (1,237,597) | (8,253,985) | 3,388,039 | (6,957,692) | (888,673) | (7,846,365) |
| Purchase of treasury shares | - | - | - | - | (1,025,242) | - | - | - | - | - | - | (1,025,242) | - | (1,025,242) |
| Transfer to statutory reserve | - | - | 365,983 | - | - | - | - | - | - | - | (365,983) | - | - | - |
| Business acquisition through share swap (Note 28) | 18,424,530 | - | - | - | - | - | (53,342) | - | - | - | (5,658,262) | 12,712,926 | - | 12,712,926 |
| Issuance of shares against swap with non-controlling interest (Note 29) | 5,832,579 | - | - | - | - | - | (221,566) | - | - | - | 8,132,217 | 13,743,230 | (13,743,230) | - |
| Transfer of depreciation related to property and equipment carried at revaluation | - | - | - | - | - | - | - | (547,722) | - | - | 547,722 | - | - | - |
| **At 31 December 2022** | **143,054,551** | **15,550,698** | **20,877,509** | **2,582,767** | **(15,503,985)** | **491,325** | **(16,410,588)** | **36,233,318** | **(3,257,401)** | **(17,308,405)** | **21,878,726** | **188,188,515** | **355,194** | **188,543,709** |
| As at 1 January 2021 (as previously Stated) | 118,797,442 | 15,550,698 | 20,511,526 | 2,582,767 | (14,478,743) | 491,325 | (16,357,247) | 37,923,038 | (2,010,720) | (10,783,991) | 23,871,500 | 176,097,595 | 20,141,937 | 196,239,532 |
| Adjustment on correction of error | - | - | - | - | - | - | - | - | - | - | (3,369,920) | (3,369,920) | - | (3,369,920) |
| As at 1 January 2021 (restated) | 118,797,442 | 15,550,698 | 20,511,526 | 2,582,767 | (14,478,743) | 491,325 | (16,357,247) | 37,923,038 | (2,010,720) | (10,783,991) | 20,501,580 | 172,727,675 | 20,141,937 | 192,869,612 |
| Loss for the year | - | - | - | - | - | - | - | - | - | - | (4,960,009) | (4,960,009) | (1,541,883) | (6,501,892) |
| Other comprehensive (loss) income for the year | - | - | - | - | - | - | - | 5,573 | (9,084) | 1,729,571 | - | 1,726,060 | (3,285,300) | (1,559,240) |
| Total comprehensive income (loss) for the year | - | - | - | - | - | - | - | 5,573 | (9,084) | 1,729,571 | (4,960,009) | (3,233,949) | (4,827,183) | (8,061,132) |
| Ownership changes in subsidiaries | - | - | - | - | - | - | 221,567 | - | - | - | - | 221,567 | (327,657) | (106,090) |
| Transfer of depreciation related to property and equipment carried at revaluation | - | - | - | - | - | - | - | (293,422) | - | - | 293,422 | - | - | - |
| At 31 December 2021 | 118,797,442 | 15,550,698 | 20,511,526 | 2,582,767 | (14,478,743) | 491,325 | (16,135,680) | 37,635,189 | (2,019,804) | (9,054,420) | 15,834,993 | 169,715,293 | 14,987,097 | 184,702,390 |

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

| | Notes | 2022 KD | 2021 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit (loss) for the year | | **3,681,726** | (6,501,892) |
| Adjustments for: | | | |
| Depreciation and impairment of property and equipment | 9 | **5,515,828** | 4,729,358 |
| Amortisation and impairment of intangible assets | | **111,571** | 110,811 |
| Valuation loss on investment properties | 8 | **20,998,154** | 5,723,211 |
| Impairment of trading properties | 5 | **143,220** | - |
| Net gain disposal of non-financial assets | | **(147,226)** | (54,467) |
| Loss on expropriation of investment property | 19 | **-** | 2,870,366 |
| Provision for maintenance on leasehold properties | 17 | **264,000** | 264,000 |
| Provision for expected credit losses | 17 | **5,358,755** | 1,418,754 |
| Provision on loan to associate | 17 | **1,000,000** | - |
| Dividend income | 17 | **(38,023)** | (32,196) |
| Interest income | | **(303,845)** | (219,916) |
| Finance costs | | **13,852,881** | 11,706,900 |
| Gain on bargain purchase | 28 | **(32,069,143)** | - |
| Gain on disposal of associate | 7 | **(1,163,836)** | - |
| Share of results of associates | 7 | **(506,267)** | (886,990) |
| End of service benefit charge for the year | | **1,142,713** | 978,102 |
| | | **17,840,508** | 20,106,041 |
| *Changes in operating assets and liabilities:* | | | |
| Accounts receivable, prepayments and other assets | | **2,340,861** | 2,514,344 |
| Properties held for trading | | **62,708** | 361,970 |
| Accounts payable, accruals and other payables | | **3,376,821** | (6,569,750) |
| End of service benefit paid | | **(745,023)** | (622,616) |
| **Net cash from operating activities** | | **22,875,875** | 15,789,989 |
| **INVESTING ACTIVITIES** | | | |
| Additions and capital contribution in investment in associates | 7 | **(2,700,708)** | (2,334,900) |
| Proceeds from sale of an associate | 7(c) | **3,077,349** | - |
| Additions to loan to an associate | | **(2,051,490)** | (5,103,906) |
| Additions to investment properties | 8 | **(687,906)** | (358,100) |
| Proceed from disposal of investment properties | 8 | **758,882** | - |
| Purchase of property and equipment | 9 | **(6,163,246)** | (1,652,635) |
| Proceeds from disposal of property and equipment | | **758,179** | 469,788 |
| Net cash from acquisition of subsidiary | 28 | **485,386** | - |
| Additions and capital contributions in investment in subsidiary | | **-** | (106,090) |
| Dividends and interest income received | | **38,023** | 1,045,673 |
| **Net cash used in investing activities** | | **(6,485,531)** | (8,040,170) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from interest bearing loans and borrowings | | **14,121,820** | 13,444,397 |
| Repayment of interest bearing loans and borrowings | | **(14,340,085)** | (4,439,893) |
| Finance costs paid | | **(12,666,287)** | (10,693,552) |
| **Net cash used in financing activities** | | **(12,884,552)** | (1,689,048) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **3,505,792** | 6,060,771 |
| Foreign currency translation adjustments | | **3,094,285** | (896,161) |
| Cash and cash equivalents at the beginning of the year | | **14,197,931** | 9,033,321 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 3 | **20,798,008** | 14,197,931 |

The attached notes 1 to 31 form part of these consolidated financial statements.





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2022

## 1 CORPORATE INFORMATION

United Real Estate Company ("URC") K.S.C.P. (the "Parent Company") is a public shareholding company incorporated in the State of Kuwait in accordance with an Amiri Decree issued in 1973, and is listed on the Boursa Kuwait. The address of the Parent Company's registered office is P.O. Box 2232 Safat, 13023 - State of Kuwait.

The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Ultimate Parent Company"), which is listed on the Boursa Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue by the Board of Directors of the Parent Company on 30 March 2023 and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company. The shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The activities of the Parent Company are carried out in accordance with the Articles of Association. The principal activities of the Parent Company are:

- Owning, selling and acquiring real estate properties and lands and developing the same to the account of the Parent Company inside the State of Kuwait and abroad; and managing properties for third parties in accordance with the provisions stipulated under the existing laws and the restrictions on construction of private housing plots in the manner stipulated under these laws.
- Owning, selling and acquiring stocks and bonds of real estate companies for the account of the Parent Company in the State of Kuwait and abroad.
- Preparing studies and providing real estate advisory services provided that certain required conditions are met.
- Carry-out maintenance works of buildings and real estate properties owned by the Parent Company and others, including all civil, mechanical and electrical works, elevators and air conditioning works and other related maintenance work to ensure the safety of the buildings.
- Owning, managing, operating, investing, leasing and renting hotels, clubs, motels, entertainment houses, rest places, gardens, parks, exhibitions, restaurants, cafes, residential compounds, touristic and health spas, entertainment and sports facilities and stores at all degrees and levels, including all the original and supporting services, the related facilities and other necessary services whether inside or outside the State of Kuwait.
- Organizing real estate exhibitions related to the real estate projects of the Parent Company.
- Holding real estate bids pursuant to the regulations set forth by the Ministry.
- Owning commercial markets and residential compounds.
- Utilizing financial surpluses available for the Parent Company by investing the same in financial portfolios managed by competent companies and entities in the State of Kuwait and abroad.
- Contribution in establishment and management of real estate funds inside and outside the State of Kuwait.
- Direct contribution to development of infrastructure projects for residential, commercial and industrial areas in BOT system.

The Parent Company is allowed to conduct the above-mentioned operations inside or outside the State of Kuwait by its own or as an agent for other parties.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for investment properties, financial assets at fair value through other comprehensive income and freehold land and buildings classified under property and equipment that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), being the functional and presentational currency of the Parent Company.

### 2.2 STATEMENT OF COMPLIANCE

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**New and amended standards and interpretations**
The Group applied, for the first time, certain standards and amendments related to the Group, which are effective for annual periods beginning on or after 1 January 2022. The nature and the impact of each new standard and amendment is described below:

***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

These amendments had no impact on the consolidated financial statements of the Group.

***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has 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 including 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 and 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 counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group.

***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.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

***Amendments to IAS 1: Classification of Liabilities as Current or Non-current***
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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.

***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 assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

**2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES**

**Basis of consolidation**
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Parent Company) including special purpose entities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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
- 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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries 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. All inter-group balances and transactions, including inter-group profits and unrealised profits and losses and dividends are eliminated on consolidation.

Non-controlling interests represent the equity in the subsidiaries not attributable directly, or indirectly, to the shareholders of the Parent Company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity.

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, the related assets (including goodwill), liabilities, non-controlling interest and other component of equity while any resultant gain or loss is recognised in consolidated income statement. Any investment retained is recognised at fair value.





## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

The principal subsidiaries of the Group are as follows:

| *Name of company* | *Equity interest as at 31 December* | | *Country of incorporation* | *Principal business* |
|---|---|---|---|---|
| | ***2022*** | *2021* | | |
| **Directly held** | | | | |
| United Building Company S.A.K. (Closed) | **98%** | 98% | Kuwait | Real estate development |
| Souk Al-Muttaheda Joint Venture – Salhia | **92.17%** | 92.17% | Kuwait | Real estate development |
| Tamleek United Real Estate Company W.L.L. | **99%** | 99% | Kuwait | Real estate development |
| United International Project Management Company W.L.L. | **96%** | 96% | Kuwait | Facilities management |
| United Facilities Management Company S.A.K. (Closed) | **99.2%** | 99.2% | Kuwait | Facilities management |
| United Facility Development Company K.S.C. (Closed) | **63.5%** | 63.5% | Kuwait | Real estate development |
| United Building Company Egypt, S.A.E. | **100%** | 100% | Egypt | Real estate development |
| United Real Estate Holding for Financial Investments S.A.E. | **100%** | 100% | Egypt | Holding |
| United Real Estate Jordan P.S.C. | **100%** | 100% | Jordan | Real estate development |
| United Areej Housing Company W.L.L. | **100%** | 100% | Jordan | Real estate development |
| United Real Estate Company W.L.L. | **80%** | 70% | Syria | Real estate development |
| United Company for Investment W.L.L. | **95%** | 95% | Syria | Real estate development |
| United Lebanese Real Estate Company S.A.L. (Holding) | **99.9%** | 99.9% | Lebanon | Holding |
| Al Reef Real Estate Company S.A.O.(Closed) | **100%** | 100% | Oman | Real estate development |
| United Kuwaiti Real Estate Development Co. LLC | **100%** | 100% | Oman | Real estate development |
| Al Dhiyafa Holding Company K.S.C. (Closed) ("DHC") (1) | **-** | 81.73% | Kuwait | Holding |
| Al Dhiyafa – Lebanon SAL (Holding Company) (1) | **100%** | - | Lebanon | Holding |
| Gulf Egypt Hotels and Tourism S.A.E. (1) | **100%** | - | Egypt | Real estate development |
| Universal United Real Estate W.L.L. | **63%** | 63% | Kuwait | Real estate development |
| Dhow Holdings Limited | **100%** | 100% | Isle of Man | Holding |
| Greenwich Quay Limited | **100%** | 100% | Isle of Man | Real estate development |
| Twenty Two Project Management Co. WLL | **99%** | - | Kuwait | Real estate development |
| **Held through Tamleek United Real Estate Company W.L.L** | | | | |
| Medius Real Estate Development L.L.C | **100%** | - | Egypt | Real estate development |
| Manazel United for Real Estate Investment Company S.A.E. (Note 26(a)) | **54.5%** | - | Egypt | Real estate development |
| **Held through United Building Company S.A.K (Closed)** | | | | |
| Twenty Two Project Management Co. WLL | **1%** | - | Kuwait | Real estate development |
| **Held through Al Reef Real Estate Company S.A.O. (Closed)** | | | | |
| United Facilities Management L.L.C. | **100%** | - | Oman | Facilities management |
| **Held through United Real Estate Holding for Financial Investments S.A.E.** | | | | |
| United Ritaj for Touristic investment S.A.E. (Closed) | **100%** | 100% | Egypt | Touristic development |
| Manazel United for Real Estate Investment Company S.A.E. (Note 26(a)) | **36.99%** | 91.49% | Egypt | Real estate development |
| Areej United for Agricultural Investment Co. | **100%** | 100% | Egypt | Agriculture |
| Aswar United Real Estate Company S.A.E. | **100%** | 100% | Egypt | Real estate development |
| **Held through United International Project Management Company W.L.L.** | | | | |
| Egypt United Project Management Co. WLL | **100%** | 100% | Egypt | Facilities management |
| **Held through Al Dhiyafa Holding Company K.S.C. (Closed)** | | | | |
| Al Dhiyafa – Lebanon SAL (Holding Company) (1) | **-** | 100% | Lebanon | Holding |
| Gulf Egypt Hotels and Tourism S.A.E. (1) | **-** | 85.9% | Egypt | Real estate development |
| Bhamdoun United Real Estate Company SAL (2) | **75%** | 75% | Lebanon | Hotel management |
| Raouche Holding SAL (2) | **55%** | 55% | Lebanon | Holding |
| United Lebanese Real Estate Company SAL (owned by Raouche Holding SAL) | **100%** | 100% | Lebanon | Real estate development |
| **Held through United Real Estate Jordan P.S.C.** | | | | |
| Abdali Mall Company P.S.C. | **100%** | 100% | Jordan | Real estate development |
| Panorama for Beauty Company | **80%** | 80% | Jordan | Beauty services |
| **Held through United Facilities Management Company S.A.K.** | | | | |
| United Facilities Management L.L.C. | **-** | 100% | Oman | Facilities management |
| United Arab Facility Management L.L.C. | **100%** | 100% | Jordan | Facilities management |
| UFM Facilities Management Services L.L.C. | **100%** | 100% | UAE | Services Facilities |

(1) These entities were formerly subsidiaries of Al Dhiyafa Holding Company K.S.C. (Closed) and upon its merger with the Parent Company during the current year, these entities are became direct subsidiaries of the Parent Company. For further details refer Note 29.

(2) The Parent Company holds 45% in Raouche Holding SAL and 25% in Bhamdoun United Real Estate SAL through United Lebanese Real Estate Company SAL (Holding).

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated income statement.

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

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

**Financial instruments**
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.

*Date of recognition*
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

*Initial measurement of financial instruments*
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial instruments (continued)**
*Measurement categories of financial assets and liabilities*
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Financial liabilities, other than commitments and guarantees, are measured at amortised cost or at FVTPL when they are held for trading or the fair value designation is applied.

**i) Financial assets**
The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

*Business model assessment*
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

*Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)*
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial instruments (continued)**

**i) Financial assets (continued)**

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

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

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

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

*Debt instruments at amortised cost*

A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets 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 (SPPI) on the principal amount outstanding.

Bank balances, short-term deposits, accounts receivables and loan to an associate is classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Any gain or loss on derecognition is recognised in the consolidated income statement.

*Equity instruments at FVOCI*

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated income statement. Dividends are recognised in statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

*Financial asset at FVTPL*

Financial assets at FVTPL includes instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group has determined the classification and measurement of its financial assets as follows:

*a. Loan to an associate*

Loan to an associate is a non-derivative financial asset with fixed or determinable payments which is not quoted in an active market. After initial measurement, loan to an associate is subsequently measured at amortised cost using the effective interest (EIR) method and is subject to impairment. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.

*b. Accounts receivables and amount due from related parties*

Accounts receivables and amount due from related parties are carried at original invoice amount less expected credit losses and are stated at amortised cost.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial instruments (continued)**

**i) Financial assets (continued)**

*c. Bank balances, cash and deposits*

Bank balances, cash and deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. These are stated at amortised cost using effective interest rate method.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at bank and on hand and short-term deposits net of bank overdraft.

*d. Other current assets*

Other current assets are carried at their cost, less impairment, if any.

*Reclassification of financial assets*

The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group acquires, disposes of, or terminates a business line.

*Derecognition of financial assets*

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its 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 a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

**ii) Financial liabilities**

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, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables and interest bearing loans.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial instruments (continued)**

**ii) Financial liabilities (continued)**
The Group has determined the classification and measurement of its financial liabilities as follows:

*a. Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

*b. Interest bearing loans*
After initial recognition, interest bearing loans are subsequently measured at amortised cost using the 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 income statement.

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues in the consolidated income statement, with unpaid amounts included in accrued expenses under 'trade and other payables'.

*c. Trade and other payables*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*Derecognition of financial liabilities*
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 income statement.

**iii) Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of 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.

**Impairment of financial and non-financial assets**
*Financial assets*
The Group recognises an allowance for expected credit losses (ECL) 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. The shortfall is then discounted at an approximation to the asset's 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.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

*a. Determination of ECL on accounts receivable and bank balances*
The Group applies a simplified approach in calculating ECLs with respect to accounts receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does not determine ECLs on bank balances as these are considered to be of low risk and the Group does not expect to incur any credit losses on these instruments.

*b. Determination of ECL on loan to an associate and amounts due from related parties*
The Group has applied the general approach under IFRS 9 for determination of ECLs on loan to an associate and amounts due from related parties. Under the general approach, the ECLs are recognized in three stages. For exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit loss that result from default events that are possible within next 12 months (a 12-month ECL classified in Stage 1). With respect to exposures, for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL classified in Stage 2). Further, the Group measures loss allowances at an amount equal to lifetime ECL that are determined to be credit impaired based on objective evidence of impairment (a lifetime ECL classified in Stage 3). Counter party that has a strong capacity to meet its contractual cash flow obligations in the near term, is considered to be low credit risk.

i) Determining the stage of expected credit losses
At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition of the financial instrument. The Group uses a mix of qualitative and quantitative criteria to determine a significant increase in credit risk. The loan to an associate and amounts due from related parties are transitioned to stage 2 once it is determined that there has been a significant increase in credit risk.

At each reporting date, the Group also assesses whether any amounts due are credit impaired. The Group considers amounts due to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of these financial instruments. All credit impaired amounts due are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the counter party;
- A breach of the contractual terms;
- The borrower having granted a concession that the Group would otherwise not consider, for economic or contractual reasons relating to the counter party's financial difficulty.

At the reporting date, if credit risk of these amounts has not increased significantly since initial recognition nor credit impaired, these are classified as stage 1.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Impairment of financial and non-financial assets (continued)**

*Financial assets (continued)*
*b. Determination of ECL on loan to an associate and amounts due from related parties (continued)*
ii) Measurement of ECLs and forward looking information
ECL is a probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at an appropriate discount rate relevant to the amounts due. Cash shortfall represents the difference between cash flows due to the Group and the cash flows that are expected to be received. For receivables on demand, the Group does not consider the impact of discounting the future cash flow shortfalls to be material as these balances are expected to be settled in a short period of time. The key elements in the measurement of ECL included probability of default (PD), loss given default (LGD) and exposure at default (EAD). The determination of these elements requires considerable judgment from the management.

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking adjustments into the determined ECL. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The management reviews these forecasts and estimates on a regular basis.

*Non-financial assets*
The carrying amounts of the Group's non-financial assets, other than, investment property and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's segment information reporting format determined in accordance with *IFRS 8: Operating Segment*.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Fair values**
The Group measures financial instruments, such as, financial assets at FVOCI, and non-financial assets such as investment properties, freehold land and buildings, at fair value at each reporting date.

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. An analysis of fair values of financial instruments and non-financial assets and further details as to how they are measured are provided in Note 10, Note 11 and Note 28.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for the valuation of Group's investment properties and property and equipment carried at the revaluation model. Involvement of external valuers is decided upon annually by the management. Selection criteria include regulatory requirements, market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Group's external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Fair values (continued)**
For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Properties held for trading**
Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost and net realisable value.

Cost includes free hold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognised in consolidated income statement on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading are charged to other operating expenses.

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

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method. Under the equity method, the investment in the 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 neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate. 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 consolidated 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 consolidated income statement 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 different reporting period as the Group, which is three months. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Investment in associates (continued)**
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'impairment of investment in associate' in the consolidated income statement.

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 consolidated income statement.

**Investment properties**
Investment property comprises of developed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as an investment property when the definition of an investment property is met.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value that is determined based on valuation performed by accredited independent valuators periodically using valuation methods consistent with the nature and usage of investment properties. Gains or losses arising from changes in the fair values are included in the consolidated income statement in the year in which they arise. For the purposes of these consolidated financial statements the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- Increased by the carrying amount of any liability to the superior leaseholder or freeholder included in the consolidated statement of financial position as a finance lease obligation.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period consolidated financial statements.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

**Property and equipment**
Property and equipment are stated at cost less accumulated depreciation and any impairment in value except for freehold land and buildings that are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. The freehold land is not depreciated.

The initial cost of property and equipment comprises their cost and any directly attributable costs of bringing an item of property and equipment to its working condition and location. Expenditure incurred after the property and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Property and equipment (continued)**
In respect to the freehold and buildings, valuations are performed annually to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Any revaluation changes are recorded to the revaluation surplus in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement. A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the leasehold land and buildings and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets to their residual values as follows:

| | |
|---|---|
| Buildings | 20 to 50 years |
| Tools and equipment | 3 to 5 years |
| Computer hardware and software | 3 to 5 years |
| Furniture and fixtures | 3 to 5 years |
| Motor vehicles | 4 to 5 years |

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

**End of service indemnity**
The Group provides end of service benefits to its employees. Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. The expected costs of these benefits are accrued over the period of employment. These liabilities which are unfunded represents the amount payable to each employee as a result of involuntary termination on the reporting date.

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

**Treasury shares**
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. 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 paid 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.

**Other reserve**
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Revenue recognition**
The Group is primarily engaged in providing the following services:

*Rental services*
The Group generates rental income from properties leased to its customers under an operating lease. The rental income excludes contingent rental income and is recognised over time based on the lease term, using an input method to measure progress towards complete satisfaction of the service.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

*Hospitality services*
The Group generates hospitality income from its owned hotels. These include revenues from room occupancies and food and beverages sales. The Group recognises the revenues from these operations and will continue to be recognised at a point in time when the obligations are performed i.e. when the rooms are occupied, and food and beverages are sold.

*Contracting services*
The Group generates contracting and services revenues from its construction and property development operations conducted on third party properties and various facility management services such as maintenance, cleaning and security services that are routine or recurring in nature.

i) Construction and property development operations
The Group's revenues associated with construction and property development operations are recognised over time, using an input method, by reference to the percentage-of-completion, to measure progress towards complete satisfaction of the service.

ii) Facility management operations
The Group's revenues associated with the facility management operations are recognised over time, using an input method to measure progress towards complete satisfaction of the service.

*Sale of properties held for trading*
The revenues from disposal of a properties held for trading are recognised when the customer (buyer) obtains control of the asset, i.e. the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset, which is normally on unconditional exchange of contracts. For conditional exchanges, the revenues are recognised only when all the significant conditions are satisfied, and the control of the asset is determined to be transferred to the customer.

*Interest income*
Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Dividend income*
Dividend income is recognised when the right to receive payment is established.

The significant accounting judgements related to the revenue from contracts with customers is detailed in Note 2.6.

**Contract balances**
*Contract assets*
A contract asset is the right to consideration in exchange for services performed for the customer. If the Group performs services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional based on the contractual terms.

*Contract liabilities*
A contract liability is the obligation for the performance of services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group performs services for the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Provisions**
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

The government assistance received during the year is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and recognized in the consolidated income statement as other income.

**Contingencies**
Contingent liabilities are not recognised in the consolidated financial statements but 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 are disclosed when an inflow of economic benefit is probable.

**Taxation**
*Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)*
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

*National Labour Support Tax (NLST)*
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

*Zakat*
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

*Taxation on overseas subsidiaries*
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Taxation (continued)**
*Taxation on overseas subsidiaries (continued)*
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

**Segment information**
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and the reporting is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

**Foreign currency**
The consolidated financial statements are presented in Kuwaiti Dinars which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair values are recognised in the consolidated income statement.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated to Kuwaiti Dinars at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average rates of exchange for the foreign operation's period of operations. The resulting exchange differences are accumulated in a separate component of other comprehensive income (the foreign currency translation reserve) until the disposal of the foreign operation. On disposal of foreign operations, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Leases**
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as a lessor***
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental revenues arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental revenues. Contingent rents are recognised as revenue in the period in which they are earned.

***Group as a lessee***
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i. Right-of-use assets*
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date of the underlying asset if available of use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and the lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If the ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with the Group’s impairment of non-financial assets policy.

*ii. Lease liabilities*
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*iii. Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

A property interest that is held by the Group under an operating lease may be classified and accounted for as an investment property when the property otherwise meets the definition of an investment property, evaluated property by property, and based on management’s intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.





**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

***Revenue from contracts with customers***
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

*a. Identifying performance obligations in a bundled contract*
The Group provides certain contracting and hospitality services to its customers as part of a single arrangement and these arrangements may include various performance obligations that represents performing a contractually agreed-upon task(s) for a customer. The Group determined that each of these performance obligations are capable of being distinct as these services are separately identifiable from other obligations in the contract and the customer can benefit from each service on its own.

Furthermore, the Group also determined that the promises of such services are distinct within the context of each contract, the transaction price is determined separately based on each obligation and these services are not highly interdependent or highly interrelated.

The transaction prices are allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost plus margin.

*b. Determine transaction price*
The transaction price is the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer. The Group determines the transaction price by considering the terms of the contract and business practices that are customary.

*c. Determining the timing of satisfaction of services*

i. Hospitality income
The Group concluded that revenue from room occupancy and food and beverages sales to its customers is to be recognised at the point in time when the obligations are performed as upon rendering of such services or sales, the Group is entitled to a present right to payment for the service or sale. Furthermore, the customer obtains the ability to direct the use of, and obtain substantially all of the remaining benefits from each service or sale.

ii. Construction and property development operations
The Group concluded that revenue from contracting in relation to construction and property development service to its customers is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform such services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group’s performance as it performs. The Group has a right to payment for the performance completed to date as, under each contractual agreement with a customer, the Group is entitled to an amount that at least compensates the Group for its performance completed to date in the event that the customer terminates the contract for reasons other than the Group's failure to perform as promised. Furthermore, certain assets are created by the Group's performance of contracting obligations. However, these assets are determined to be restricted contractually from readily directing the assets for another use by the customer during the creation or enhancement of the respective assets.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Judgments (continued)**

*Revenue from contracts with customers (continued)*

c. Determining the timing of satisfaction of services (continued)

ii. Construction and property development operations (continued)

The Group has determined to utilize the input method for measuring progress of such services because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on these services on the basis of the costs incurred relative to the total expected costs to complete the performance obligations. The Group assesses the percentage of costs incurred as a proportion to the total estimated costs relative to each contract in order to determine the revenues to be recognised to date and accounting for the estimated margin for the entire term of the contract.

iii. Facility management operations

The Group concluded that revenue from contracting in relation to facility management services to its customers is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group has a right to payment for the performance completed to date as, under each contractual agreement with a customer, the Group is entitled to an amount that at least compensates the Group for its performance completed to date in the event that the customer terminates the contract for reasons other than the Group's failure to perform as promised. Furthermore, the Group's performance does not create an asset with an alternative use to the entity.

The Group has determined to utilize the output method for measuring progress of such services on the basis of direct measurements of the value to the customer of the services performed to date relative to the remaining services promised under the contract. The Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. In regard to service contracts that are performed with the same pattern of consumption over time and whose consideration consists of a fixed amount over the term of the contract, the Group recognises revenues on a straight-line basis as the Group's efforts being evenly expended throughout the performance period. Whereas, in regard to the service contracts with consideration dependent on the measurement of the services performed, such as number of hours, the Group recognises revenues based on the performance completed to date.

d. Principal versus agent considerations

During the performance of contracting services to its customer, the Group involves certain third parties in providing certain services. The Group has concluded that it is a principal in such arrangements as the Group retains the right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf and the Group is primarily held responsible for fulfilling each obligation to the customer.

e. Consideration of significant financing component in a contract

The Group does not expect to have any contracts where the period between the transfer of promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

*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 interest on the principal amount outstanding.

*Classification of property*

The Group determines whether a property is classified as investment property or property held for trading:

- Investment property comprises land and buildings which 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.
- Properties held for trading comprise property that is held for sale in the ordinary course of business.



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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Judgments (continued)**

*Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

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

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

**Estimates and assumptions**

*Estimation of net realisable value for properties held for trading*

Properties held for trading is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

*Valuation of investment properties, freehold land and buildings*

Fair value of investment properties, freehold land and buildings have been assessed by independent real estate appraisers. Two main methods were used to determine the fair value of interests in investment properties, freehold land and building; (a) Discounted cash flow analysis and (b) Property market value method as follows:

(a) Discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Property market value method is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

Investment property under construction is also valued at fair value as determined by independent real estate valuation experts, except if such values cannot be reliably determined. The fair value of investment properties under construction is determined using either the Discounted Cash Flow Method or the Residual Method.

The significant methods and assumptions used by valuers in estimating fair value of investment property, freehold land and buildings are stated in Note 10 and Note 11.

*Exposure to Hyperinflationary Economies*

During the year, Lebanon has been assessed as a hyperinflationary economy in accordance with the requirements of IAS 29: Financial Reporting in Hyperinflationary Economies ("IAS 29"). The Group's exposure in Lebanon is through its subsidiaries "Bhamdoun United Real Estate Company SAL" and "Lebanese United Real Estate Company SAL" whose functional currency is the Lebanese Pound. Management has carried out an assessment and has estimated that the impact, as a result of its foreign operations in this hyperinflationary economy, is not material to the Group's consolidated financial statements.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Estimates and assumptions (continued)**

*Techniques used for valuing investment properties*

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the property.

The Residual Method (or Hypothetical Development Approach) to estimating fair value is a combination of the Capitalisation (income) approach and a Cost approach (summation). The Residual Method is defined as: "A method of determining the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of the work, including fees and other associated expenditures, plus allowance for interest, developer's risk and profit, is deducted from the gross value of the completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value."

*Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

*Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**3 CASH, BANK BALANCES AND SHORT TERM DEPOSITS**

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Cash at banks and on hand | **10,952,308** | 12,882,341 |
| Short term deposits | **9,847,089** | 1,315,590 |
| Cash, bank balances and short-term deposits | **20,799,397** | 14,197,931 |
| Less: Bank overdraft (Note 11) | **(1,389)** | - |
| **Cash and cash equivalents for the purpose of consolidated statement of cash flows** | **20,798,008** | 14,197,931 |

Short term deposits are made for varying periods ranging from one day and six months and earn interest at the respective short-term deposit rates.

Cash and short-term deposits amounting to KD 3,357,338 (2021: KD 6,811,312) are placed with related parties (Note 23).



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**4 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS**

| | ***2022 KD*** | ***2021 KD*** |
|---|---|---|
| Accounts receivables | **55,192,921** | **52,574,617** |
| Accrued rental and hospitality income | **929,887** | **1,619,426** |
| Due from related parties (Note 23) | **1,644,181** | **2,168,721** |
| Prepayments | **450,422** | **672,771** |
| Other assets | **2,153,779** | **2,462,008** |
| | **60,371,190** | **59,497,543** |
| Allowance for expected credit losses | **(13,690,821)** | **(9,203,604)** |
| | **46,680,369** | **50,293,939** |

The movement in the allowance for expected credit losses of receivables is as follows:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| As at 1 January | **9,203,604** | 8,301,225 |
| Expected credit losses for the year | **5,358,755** | 1,418,754 |
| Written off | **(816,957)** | (500,356) |
| Foreign currency exchange difference | **(54,581)** | (16,019) |
| As at 31 December | **13,690,821** | 9,203,604 |

**5 PROPERTIES HELD FOR TRADING**

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| As at 1 January | **55,494,092** | 55,854,896 |
| Additions during the year | **239,981** | 456,274 |
| Transfer to investment property (Note 8) | **(22,843,149)** | - |
| Impairment of properties held for trading | **(143,220)** | - |
| Disposals | **(302,689)** | (780,278) |
| Foreign exchange difference | **(8,085,963)** | (36,800) |
| As at 31 December | **24,359,052** | 55,494,092 |

The accumulated capitalised finance costs included in the carrying value of properties held for trading (under construction) is KD 100,113 (2021: KD 140,731). During the current year, no finance costs were capitalised to the properties held for trading (2021: KD Nil).

**6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Quoted equity shares | **529,832** | 205,201 |
| Unquoted equity shares | **1,856,270** | 3,215,546 |
| Financial assets at fair value through other comprehensive income | **2,386,102** | 3,420,747 |

Investments with aggregate carrying amounts of KD 21,557 (2021: KD 146,760) represent investments in related parties (Note 23) and investments with aggregate carrying amounts of KD 1,245,459 (2021: KD 1,224,561) are managed by a related party (Note 23).

## 7 INVESTMENT IN ASSOCIATES

| *Name of company* | *Country of Incorporation* | *Equity interest* | | *Carrying value* | |
|---|---|---|---|---|---|
| | | ***2022*** | *2021* | ***2022 KD*** | *2021 KD* |
| Mena Homes Real Estate Company K.S.C. (Closed) (a) | Kuwait | **40.42%** | 35.72% | **19,145,240** | 15,313,964 |
| Assoufid BV (a) | Netherlands | **49.00%** | 49.00% | **7,117,183** | - |
| Al-Fujeira Real Estate Limited | United Arab Emirates | **50.00%** | 50.00% | **6,642,703** | 6,227,561 |
| Insha'a Holding Company K.S.C.C. | Kuwait | **40.00%** | 40.00% | **6,480,621** | 6,560,339 |
| Ikarus United for Marine Services Company S.A.K. (Closed) (a) | Kuwait | **20.00%** | 20.00% | **759,246** | 642,652 |
| Al Thaniya Real Estate Company P.S.C. | Jordan | **50.00%** | 50.00% | **6,291** | 6,647 |
| United Towers Holding Company K.S.C. (Closed) ("UTHC") Note 28 (b) | Kuwait | **-** | 40.08% | **-** | 28,538,911 |
| Kuwait Hotels Company K.S.C.(b) | Kuwait | **-** | 29.97% | **-** | 1,359,104 |
| | | | | **40,151,284** | 58,649,178 |

The movement in the carrying amount of investment in associates during the year is as follows:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| As at 1 January | **58,649,178** | 56,801,650 |
| Additions and capital contributions during the year (a) | **14,141,313** | 2,334,900 |
| Disposals during the year (b) | **(32,380,525)** | - |
| Dividends | **(80,000)** | (973,634) |
| Share of results | **506,267** | 886,990 |
| Foreign exchange differences | **(684,949)** | (400,728) |
| At 31 December | **40,151,284** | 58,649,178 |

a) During the year, Assoufid B.V. ("Assoufid") an associate, increased its capital through partial capitalization of the loan provided to Assoufid, to which the Group's share was KD 8,493,213 (2021: Nil).

   During the year, Mena Homes Real Estate Company K.S.C. (Closed) ("Mena Homes") an associate, increased its capital through additional capital contribution to which the Group contributed an amount of KD 5,448,100 (2021: KD 2,334,900).

   During the year, Ikarus United Marine Services K.S.C. (Closed) ("Ikarus") an associate, increased its capital through additional capital contribution to which the Group contributed an amount of KD 200,000 (2021: Nil).

b) During the year, the Group sold its entire stake in its associate, Kuwait Hotels Company (KHC) for a total consideration of KD 3,077,349 and accordingly recorded a gain on sale of KD 1,163,836.

   On 22 December 2022, the Parent Company acquired control of UTHC through share swap and concurrently completed its merger with Parent Company and became a merged entity. (Note 28)





## 7 INVESTMENT IN ASSOCIATES (continued)

The Group determines that Mena Homes Real Estate Company K.S.C. (Closed) ("Mena Homes") as the material associates of the Group and the following table provides summarised financial information of the Group's investment in associates:

| | *UTHC** | | *Mena Homes* | | *Others* | |
|---|---|---|---|---|---|---|
| | ***2022 KD*** | *2021 KD* | ***2022 KD*** | *2021 KD* | ***2022 KD*** | *2021 KD* |
| ***Summarised statement of financial position :*** | | | | | | |
| Non-current assets | **-** | 129,947,275 | **124,584,702** | 100,239,104 | **35,223,234** | 41,674,991 |
| Current assets | **-** | 3,446,779 | **83,979,708** | 54,264,780 | **40,537,472** | 46,501,067 |
| Non-current liabilities | **-** | (58,977,071) | **(94,950,242)** | (77,469,925) | **(24,633,784)** | (44,419,241) |
| Current liabilities | **-** | (3,212,115) | **(67,877,120)** | (34,161,722) | **(10,867,853)** | (13,595,740) |
| Equity | **-** | 71,204,868 | **45,737,048** | 42,872,237 | **40,259,069** | 30,161,077 |
| Proportion of the Group's ownership | **-** | 40.08% | **40.42%** | 35.72% | | |
| **Group's share in the net assets** | **-** | 28,538,911 | **19,145,240** | 15,313,963 | **21,006,044** | 14,796,304 |
| ***Summarised statement of income:*** | | | | | | |
| Revenues | **8,033,269** | 6,703,366 | **489,874** | 9,982 | **14,526,963** | 18,595,573 |
| Profit (loss) for the year | **3,097,483** | 2,380,632 | **(3,603,747)** | (2,978,921) | **(1,142,737)** | 2,737,698 |
| **Group's share in profit (loss) for the year** | **1,787,446** | 943,753 | **(776,570)** | (556,333) | **(504,609)** | 499,570 |

* On 22 December 2022, the Parent Company obtained control of UTHC through a share swap and became a subsidiary. This acquisition has been accounted for in accordance with IFRS 3: *Business combination* ("IFRS 3") (Note 28)

**8 INVESTMENT PROPERTIES**

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| Land for development (a) | **60,234,474** | 69,642,755 |
| Investment properties under construction (b) | **11,846,179** | 12,016,473 |
| Developed properties (c) | **311,747,555** | 179,054,129 |
| | **383,828,208** | 260,713,357 |

Valuation of lands for development, investment properties under construction and developed properties were conducted as at 31 December 2022 by independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment property being valued. The discounted future cash flow method or property market value method have been used for developed properties as deemed appropriate considering the nature and usage of the property. The fair value of lands for development and investment property under construction has been determined through market value method or depreciation cost replacement method.

**a) Land for development**

The movement in lands for development during the year was as follows:

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| As at 1 January | **69,642,755** | 73,112,104 |
| Additions | **476,732** | - |
| Disposals | **(532,350)** | (4,126,233) |
| Valuation gain (loss) | **(2,579,152)** | 551,711 |
| Foreign exchange differences | **(6,773,511)** | 105,173 |
| As at 31 December | **60,234,474** | 69,642,755 |

Land for development include a plot of land in Sharm El Sheikh, Egypt amounting to KD 16,199,961 (2021: KD 18,015,046) which is not yet registered in the name of the subsidiary (Gulf Egypt) and the subsidiary is not permitted to register it until it completes its construction project on this land.

**b) Investment properties under construction**

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| As at 1 January | **12,016,473** | 11,518,186 |
| Capital expenditure | **8,232** | - |
| Foreign exchange differences | **(194,271)** | 51,172 |
| Valuation gain | **15,745** | 447,115 |
| As at 31 December | **11,846,179** | 12,016,473 |

**c) Developed properties**

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| Developed land and buildings: | | |
| Developed land and buildings | **246,929,276** | 99,094,097 |
| Buildings constructed on land leased from the Government | **64,818,279** | 79,960,032 |
| | **311,747,555** | 179,054,129 |

The lease periods for the plots of land leased from the Government of Kuwait and others range from more than 1 year to 50 years, and are renewable





**8 INVESTMENT PROPERTIES (continued)**

The movement during the year was as follows:

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| As at 1 January | **179,054,129** | 185,714,107 |
| Additions | **202,942** | 358,100 |
| Addition upon business combination (Note 28) | **126,423,000** | - |
| Transfer from held for trading (Note 5) | **22,843,149** | - |
| Disposal of investment properties | **(228,397)** | (412,711) |
| Valuation loss | **(18,434,747)** | (6,722,037) |
| Foreign exchange differences | **1,887,479** | 116,670 |
| As at 31 December | **311,747,555** | 179,054,129 |

***Fair value hierarchy***

The fair value measurement of investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used. The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values:

| | *2022* *KD* | *2021* *KD* |
|---|---|---|
| Opening balance | **260,713,357** | 270,344,397 |
| Addition upon business combination (Note 28) | **126,423,000** | - |
| Transfer from held for trading | **22,843,149** | - |
| Additions and capital expenditures | **687,906** | 358,100 |
| Disposals and transfers | **(760,747)** | (4,538,944) |
| Valuation loss | **(20,998,154)** | (5,723,211) |
| Foreign exchange differences | **(5,080,303)** | 273,015 |
| **Closing balance** | **383,828,208** | 260,713,357 |

Significant assumptions used for valuation of investment properties with the same characteristics are as follows:

| | *2022* *%* | *2021* *%* |
|---|---|---|
| Average net initial yield | **10.50** | 11.00 |
| Average reversionary yield | **11.25** | 11.75 |
| Average inflation rate | **1.250** | 0.645 |
| Long-term vacancy rate | **15.00** | 15.00 |
| Long-term growth in real rental rates | **2.500** | 1.925 |

**8 INVESTMENT PROPERTIES (continued)**

***Sensitivity analysis***

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

| | | *Impact on fair value* | |
|---|---|---|---|
| ***Significant unobservable inputs*** | ***Sensitivity*** | ***2022 KD*** | *2021 KD* |
| Average net initial yield | +/- 1% | **1,906,875** **(1,851,125)** | 1,281,848 (1,253,880) |
| Average reversionary yield | +/- 1% | **2,295,164** **(2,214,875)** | 2,567,428 (2,368,769) |
| Average inflation rate | +/- 25 basis points | **1,401,921** **(997,524)** | 1,404,326 (991,595) |
| Long-term vacancy rate | +/- 1% | **1,489,765** **(1,389,765)** | 1,569,115 (1,526,843) |
| Long-term growth in real rental rates | +/- 1% | **1,008,545** **(993,694)** | 1,414,908 (1,621,088) |





**9 PROPERTY AND EQUIPMENT**

| | *Freehold land KD* | *Buildings KD* | *Tools and equipment KD* | *Computer hardware and software KD* | *Furniture and fixtures KD* | *Motor vehicles KD* | *Right of use of asset KD* | *Working under progress KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | |
| As at 1 January 2022 | 55,357,900 | 109,783,699 | 14,089,705 | 17,712,250 | 16,461,945 | 2,314,260 | - | 3,948,145 | **219,667,904** |
| Addition on acquisition of subsidiary (Note 28) | - | - | 876,793 | - | 937,989 | - | - | - | **1,814,782** |
| Additions | - | 39,965 | 397,824 | 198,680 | 252,614 | 120,027 | 368,981 | 4,785,155 | **6,163,246** |
| Impairment | - | (1,461,219) | - | - | - | - | - | - | **(1,461,219)** |
| Revaluation adjustment | - | (839,752) | - | - | - | - | - | - | **(839,752)** |
| Disposal | - | - | (1,469,999) | (91,222) | (208,784) | (213,765) | - | - | **(1,983,770)** |
| Exchange adjustment | (576,108) | 3,605,865 | 333,776 | 424,903 | 627,171 | 1,476 | - | (2,048,367) | **2,368,716** |
| As at 31 December 2022 | 54,781,792 | 111,128,558 | 14,228,099 | 18,244,611 | 18,070,935 | 2,221,998 | 368,981 | 6,684,933 | **225,729,907** |
| Depreciation: | | | | | | | | | |
| As at 1 January 2022 | - | (42,151,903) | (11,121,050) | (17,650,584) | (16,388,056) | (1,551,898) | - | - | **(88,863,491)** |
| Addition on acquisition of subsidiary (Note 28) | - | - | (659,710) | - | (859,852) | - | - | - | **(1,519,562)** |
| Charge for the year | - | (2,588,412) | (540,912) | (207,930) | (465,175) | (243,284) | (8,896) | - | **(4,054,609)** |
| Disposal | - | - | 1,122,320 | 51,477 | 188,463 | 12,422 | - | - | **1,374,682** |
| Exchange adjustment | - | (392,124) | (159,078) | (23,544) | (114,768) | (3,062) | - | - | **(692,576)** |
| At 31 December 2022 | - | (45,132,439) | (11,358,430) | (17,830,581) | (17,639,388) | (1,785,822) | (8,896) | - | **(93,755,556)** |
| **Net carrying amount At 31 December 2022** | **54,781,792** | **65,996,119** | **2,869,669** | **414,030** | **431,547** | **436,176** | **360,085** | **6,684,933** | **131,974,351** |

**9 PROPERTY AND EQUIPMENT (continued)**

| | *Freehold land KD* | *Buildings KD* | *Tools and equipment KD* | *Computer hardware and software KD* | *Furniture and fixtures KD* | *Motor vehicles KD* | *Right of use of asset KD* | *Working under progress KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | |
| As at 1 January 2021 | 54,732,479 | 109,056,410 | 14,044,661 | 17,538,063 | 15,881,283 | 2,181,254 | - | 2,832,828 | 216,266,978 |
| Additions | - | 32,335 | 79,064 | 170,350 | 110,550 | 152,074 | - | 1,108,262 | 1,652,635 |
| Revaluation adjustment | - | 6,679 | - | - | - | - | - | - | 6,679 |
| Disposal | - | - | (4,504) | (2,304) | - | (18,850) | - | - | (25,658) |
| Exchange adjustment | 625,421 | 688,275 | (29,516) | 6,141 | 470,112 | (218) | - | 7,055 | 1,767,270 |
| As at 31 December 2021 | 55,357,900 | 109,783,699 | 14,089,705 | 17,712,250 | 16,461,945 | 2,314,260 | - | 3,948,145 | 219,667,904 |
| Depreciation: | | | | | | | | | |
| As at 1 January 2021 | - | (39,384,103) | (9,759,471) | (17,437,353) | (15,835,536) | (1,259,845) | - | - | (83,676,308) |
| Charge for the year | - | (2,398,801) | (1,321,515) | (203,365) | (501,456) | (304,221) | - | - | (4,729,358) |
| Disposal | - | - | 4,504 | 2,295 | - | 16,068 | - | - | 22,867 |
| Exchange adjustment | - | (368,999) | (44,568) | (12,161) | (51,064) | (3,900) | - | - | (480,692) |
| As at 31 December 2021 | - | (42,151,903) | (11,121,050) | (17,650,584) | (16,388,056) | (1,551,898) | - | - | (88,863,491) |
| Net carrying amount | | | | | | | | | |
| As at 31 December 2021 | 55,357,900 | 67,631,796 | 2,968,655 | 61,666 | 73,889 | 762,362 | - | 3,948,145 | 130,804,413 |

The fair value of the freehold land and building was determined using the market comparable method. The valuations have been performed by an independent valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. The unit of comparison applied by the Group is the price per square meter ('sqm'). As at the reporting date, a loss from the revaluation of the freehold land and buildings of KD 839,752 (2021: gain KD 6,679), related deferred tax adjustment arising on the revaluation gain of KD 14,397 (2021: gain KD 1,106), share of non-controlling interest of KD Nil (2021: KD 140,275) and exchange difference on translation of foreign operations of KD 557,788 (2021: KD 752,183) was recognised in other comprehensive income.

*Significant unobservable valuation input*

As at 31 December 2022, range of average market price for the freehold land and buildings (per square metre) used by the valuer is KD 948 (2021: KD 976). Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.





**9 PROPERTY AND EQUIPMENT (continued)**

The depreciation charge has been allocated in the consolidated statement of income as followed:

| | **2022 KD** | *2021 KD* |
|---|---|---|
| *Cost of revenue* | | |
| Contracting and services cost | **715,199** | 1,539,111 |
| Depreciation of hotels | **3,069,151** | 2,935,659 |
| *Operational expenses* | | |
| Depreciation of property and equipment | **270,259** | 254,588 |
| | **4,054,609** | 4,729,358 |

**10 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES**

| | **2022 KD** | *2021 KD* |
|---|---|---|
| Rent received in advance | **450,522** | 674,920 |
| Accounts payable | **51,846,673** | 46,140,663 |
| Refundable deposits | **5,466,011** | 5,293,456 |
| Due to related parties (Note 23) | **2,027,998** | 3,086,418 |
| Other payables | **25,419,414** | 22,480,939 |
| | **85,210,618** | 77,676,396 |

**11 INTEREST BEARING LOANS AND BORROWINGS**

| | **2022 KD** | *2021 KD* |
|---|---|---|
| Loans | **302,769,908** | 246,528,083 |
| Bank overdrafts | **1,389** | - |
| | **302,771,297** | 246,528,083 |

| | **2022** | *2021* |
|---|---|---|
| **By Parent:** | | |
| Current | **22,208,227** | 20,566,855 |
| Non-current | **161,679,597** | 166,476,366 |
| | **183,887,824** | 187,043,221 |
| **By Subsidiaries:** | | |
| Current | **13,248,982** | 10,278,521 |
| Non-current | **105,634,491** | 49,206,341 |
| | **118,883,473** | 59,484,862 |
| | **302,771,297** | 246,528,083 |

As of 31 December 2022, current and non-current loan balances of subsidiaries include amounts of KD 2,250,000 and KD 54,302,565 respectively as a results of business combination during the year. (Note 28)

## 11 INTEREST BEARING LOANS AND BORROWINGS (continued)

The following table shows the current and non-current portion of the Group's loans obligations:

| | *Current portion KD* | *Non-current portion KD* | ***Total 2022 KD*** | *Total 2021 KD* |
|---|---|---|---|---|
| Bank overdrafts (Note 3) | 1,389 | - | **1,389** | - |
| Short term loans | 19,881,899 | - | **19,881,899** | 21,370,970 |
| Term loans | 15,573,921 | 267,314,088 | **282,888,009** | 225,157,113 |
| | 35,457,209 | 267,314,088 | **302,771,297** | 246,528,083 |

Term loans are obtained for varying periods ranging from one year to ten years and carry interest rates ranging from 2.95% to 18.75% (2021: 2.75% to 8%).

As at 31 December 2022, the Group's short-term loans and overdrafts amounting to KD 19,881,899 (31 December 2021: KD 21,370,970) are renewable on a yearly basis.

Interest bearing loans and borrowings amounting to KD 88,218,346 (2021: KD 85,370,370) are due to related parties (Note 23).

The following table shows the current and non-current portions (analysed by currency) of the Group's loan obligations:

| | *Current portion KD* | *Non-current portion KD* | ***Total 2022 KD*** | *Total 2021 KD* |
|---|---|---|---|---|
| US Dollar | 3,673,554 | 23,570,426 | **27,243,980** | 30,704,757 |
| Omani Riyal | 291,564 | 14,387,459 | **14,679,023** | 10,609,135 |
| Egyptian Pound | 629,701 | 3,574,041 | **4,203,742** | 393,703 |
| Kuwaiti Dinar | 30,862,390 | 225,782,162 | **256,644,552** | 204,820,488 |
| | 35,457,209 | 267,314,088 | **302,771,297** | 246,528,083 |

## 12 BONDS

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| On 19 April 2018, the Parent Company issued unsecured bonds in the principal amount of KD 60,000,000 composed of bonds in two series as follows: | | |
| • Due on 19 April 2023, carrying interest at a fixed rate of 5.75% per annum payable quarterly in arrears. | **32,150,000** | 32,150,000 |
| • Due on 19 April 2023, carrying interest at a variable rate of 2.50% over the Central Bank of Kuwait discount rate payable quarterly in arrears. | **27,850,000** | 27,850,000 |
| | **60,000,000** | 60,000,000 |

## 13 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2022, the Parent Company's authorised, issued, and fully paid share capital consists of 1,430,545,513 shares of 100 fils each (2021: 1,187,974,420 shares of 100 fils each) which is fully paid in cash.

During the year, the authorised, issued, and fully paid share capital was increased by KD 24,257,109 by the issue of 242,571,093 ordinary shares of 100 fils each.

The share premium is not available for distribution.





## 14 STATUTORY RESERVE

In accordance with the Companies' Law, as amended, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

## 15 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before taxation and directors' remuneration is to be transferred to the voluntary reserve. Such annual transfers have been discontinued by a resolution of the shareholders' Annual General Assembly upon a recommendation by the Board of Directors.

## 16 TREASURY SHARES

| | ***2022*** | *2021* |
|---|---|---|
| Number of treasury shares | **128,481,705** | 113,669,873 |
| Percentage to issued shares | **8.981%** | 9.568% |
| Market value in KD | **8,094,347** | 8,525,240 |
| Cost in KD | **15,503,984** | 14,478,743 |

Reserves, retained earnings and share premium equivalent to the cost of treasury shares are not available for distribution throughout the period these shares are held by the Group.

## 17 OTHER NET OPERATING LOSSES

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| (Loss) gain from disposal of investment properties | **(1,865)** | 19,809 |
| Impairment of properties held for trading (Note 5) | **(143,220)** | - |
| Provision for maintenance on leasehold properties | **(264,000)** | (264,000) |
| Provision for expected credit losses (ECL) on trade receivables (Note 4) | **(5,358,755)** | (1,418,754) |
| Provision for ECL on loan to an associate | **(1,000,000)** | - |
| Dividend income | **38,023** | 32,196 |
| | **(6,729,817)** | (1,630,749) |

## 18 GENERAL AND ADMINISTRATIVE EXPENSES

Included in the general and administration expenses are the following staff related costs:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Wages and salaries | **4,178,329** | 3,458,452 |
| Post-employment benefits | **680,694** | 539,120 |
| | **4,859,023** | 3,997,572 |

Wages, salaries and post-employment benefits charged to cost of revenue amounts to KD 20,155,322 (2021: KD 15,934,329).

## 19 OTHER NET NON-OPERATING LOSSES

| | *2022 KD* | *2021 KD* |
|---|---|---|
| Gain on disposal of property and equipment | **149,091** | 34,476 |
| Loss on expropriation of investment property * | **-** | (2,870,366) |
| Amortisation of intangible assets | **(111,571)** | (110,811) |
| Impairment of property, plant, and equipment | **(1,461,219)** | - |
| Other income | **831,104** | 460,232 |
| Foreign exchange (loss) gain | **(71,970)** | 548,948 |
| | **(664,565)** | (1,937,521) |

* last year this amount represented the net loss resulting from the expropriation of part of a land owned by one of the subsidiaries in Egypt for the public benefit after the initial compensation from the Egyptian government

## 20 TAXATION

| | *2022 KD* | *2021 KD* |
|---|---|---|
| Contribution to KFAS | **32,530** | - |
| NLST | **170,288** | - |
| Zakat | **26,984** | - |
| *Taxation on overseas subsidiaries* | | |
| Current tax | **56,070** | 32,790 |
| Deferred tax | **(402,330)** | (402,041) |
| | **(116,458)** | (369,251) |

The tax rate applicable to the taxable overseas subsidiaries companies is in the range of 15% to 28% (2021: 10% to 22.5%). For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies jurisdiction.

The deferred tax liabilities relate to the following:

| | *2022 KD* | *2021 KD* |
|---|---|---|
| Revaluation of investment properties to fair value | **(10,208,387)** | (11,163,540) |
| Revaluation of property and equipment to fair value | **(13,238,703)** | (13,253,100) |
| Deferred tax – relating to origination and reversal of temporary differences | **(7,742,333)** | (7,107,218) |
| Deferred tax liabilities | **(31,189,423)** | (31,523,858) |

The reconciliation of deferred tax liabilities is detailed as followed:

| | *2022 KD* | *2021 KD* |
|---|---|---|
| As at 1 January | **(31,523,858)** | (31,928,534) |
| Reversal of expense for the year | **402,330** | 402,041 |
| Deferred tax adjustment on revaluation of property and equipment to fair value taken to other comprehensive income | **(14,397)** | (1,106) |
| Foreign exchange differences | **(53,498)** | 3,741 |
| As at 31 December | **(31,189,423)** | (31,523,858) |





## 21 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing the profit (loss) 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 earnings (loss) per share is calculated by dividing the profit (loss) attributable to ordinary equity holders of the parent 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. As there are no dilutive instruments outstanding, basic and diluted earnings (loss) per share are identical.

| | *2022 KD* | *2021 KD* |
|---|---|---|
| *Gain or (losses)* | | |
| Gain (loss) for the year attributable to the equity holders of the Parent Company | **3,388,039** | (4,960,009) |
| | ***Shares*** | *Shares* |
| *Number of shares outstanding* | | |
| Weighted average number of paid up shares | **1,194,620,203** | 1,187,974,420 |
| Less: Weighted average number of treasury shares | **(114,035,096)** | (113,669,873) |
| Weighted average number of shares outstanding for basic earnings per share | **1,080,585,107** | 1,074,304,547 |
| Earnings / (loss) per share attributable to equity holders of the Parent Company | **3.14 fils** | (4.62) fils |

## 22 DIVIDEND

During the board meeting held on 30 March 2023, the Board of Directors of the Parent Company has not proposed any cash dividend for the distribution to the shareholders. This proposal is subject to the approval by the Shareholders' Annual General Assembly.

The shareholders' annual general assembly held on 08 May 2022 approved the audited consolidated financial statements of the Group for the year ended 31 December 2021. The shareholders' annual general assembly had approved to not distribute any dividend or bonus shares (31 December 2020: Nil).

## 23 RELATED PARTY TRANSACTIONS

These represent transactions with the related parties, i.e. the Ultimate Parent Company, major shareholders, associates, directors and key management of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management. Balances and transactions with related parties are as follows:

| | *Ultimate Parent Company KD* | *Associates KD* | *Other related parties KD* | ***2022 KD*** | *2021 KD* |
|---|---|---|---|---|---|
| **Consolidated statement of financial position** | | | | | |
| Cash and short-term deposits (Note 3) | - | - | 3,357,338 | **3,357,338** | 6,811,312 |
| Accounts receivable, prepayments and other assets (Note 4) | - | 938,269 | 705,912 | **1,644,181** | 2,168,721 |
| Financial assets at fair value through other comprehensive income (Note 6) | - | - | 21,557 | **21,557** | 146,760 |
| Loan to an associate | - | 15,933,124 | - | **15,933,124** | 25,160,230 |
| Accounts payable, accruals and other payables (Note 10) | 40,649 | - | 1,987,349 | **2,027,998** | 3,086,418 |
| Interest bearing loans and borrowings (Note 11) | - | - | 88,218,346 | **88,218,346** | 85,370,370 |

**23 RELATED PARTY TRANSACTIONS (continued)**

| | *Ultimate Parent Company KD* | *Associates KD* | *Other related parties KD* | ***2022 KD*** | *2021 KD* |
|---|---|---|---|---|---|
| **Consolidated income statement** | | | | | |
| Rental income | - | 502,383 | **-** | **502,383** | 479,424 |
| Contracting and services revenue | - | 1,253,620 | 2,911,473 | **4,165,093** | 4,973,455 |
| Other operating revenue | - | 1,826,096 | **-** | **1,826,096** | (177,076) |
| Property operating costs | - | - | 756,960 | **756,960** | 598,215 |
| General and administrative expenses | - | 158,496 | 236,399 | **394,895** | 334,879 |
| Interest income | - | 136,439 | **-** | **136,439** | 156,105 |
| Finance costs | - | - | 3,529,917 | **3,529,917** | 2,606,349 |

As at 31 December 2022, interest bearing loan provided by the Group to Assoufid B.V. amounted to KD 15,933,124 (2021: KD 25,160,230) and is maturing on 1 January 2036.

Certain investments with carrying value of KD 1,245,459 (2021: KD 1,224,561) are managed by a related party (Note 6).

| **Key management personnel compensation** | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Salaries and short-term employee benefits | **853,240** | 584,371 |
| End of service benefits | **115,506** | 87,080 |
| | **968,746** | 671,451 |

**24 CONTINGENT LIABILITIES AND COMMITMENTS**

**Contingent liabilities**
At 31 December 2022 the Group had contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 10,570,310 (31 December 2021: KD 11,770,780).

**Capital commitments**
The Group has agreed capital commitments with third parties and is consequently committed to future capital expenditure amounting to KD 81,730 (31 December 2021: KD 164,375).

**Operating lease commitments – Group as a lessor**
The Group has entered into commercial leases for certain investment properties in the normal course of business. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Within one year | **26,562,106** | 21,015,851 |
| After one year but not more than three years | **53,939,683** | 36,284,990 |
| | **80,501,789** | 57,300,841 |

**Operating lease commitments – Group as a lessee**
The Group has entered into commercial leases for investment properties in the normal course of business. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Within one year | **713,715** | 686,522 |
| After one year but not more than three years | **1,427,430** | 1,373,044 |
| | **2,141,145** | 2,059,566 |





**25 LEGAL CASES**

(a) On 16 April 2014, the Group entered into an agreement for the disposal of certain shares in a subsidiary (Manazel United for Real Estate Investment Company S.A.E. ("Manazel")) with Al Agha family (buyer). However, the buyer did not meet his obligation towards the payment of the purchase consideration to the Group which is a breach of the terms of the agreement by Al Agha Family.

Multiple suits were filed against the Group and other shareholders of Manazel in respect to the dispute, claiming rights to the shares of Manazel. During prior years, lower court decisions were in favour of the Group and the other Manazel shareholders, however, during the previous year, the rulings of lower courts were overturned by the court of cassation on 71.3% equity interest of the Group in Manazel. The execution of the transfer of shares is on hold pending a legal claim.

As per the legal counsel of the Group, the provision of the repeal issued, validity and the effectiveness of contracts for the sale issued by the court of cassation is contrary to the previous rulings in similar cases issued by the court of cassation itself. The ruling on the counterfeiting of documentation case was in the favour of the Group, and in August 2022, the appeal of the other parties on the counterfeiting of documentation ruling was rejected by the Egyptian court.

Notwithstanding the above, management had recorded a provisional loss of KD 1,982,349 as at 31 December 2022 relating to the potential loss of equity interest in Manazel (31 December 2021: KD 1,982,349). The legal counsel of the Group believes that this matter will not have a material adverse effect on the consolidated financial statements.

Furthermore, as per the legal counsel of the Group, despite losing a substantial portion of equity interest in Manazel, the Group has the control on Manazel as the matter is still disputed at court.

(b) The Group has certain fully depreciated assets as at 31 December 2022 (31 December 2021: Nil) which represent Built-Own-Transfer (BOT) projects for the construction of certain properties (the "Properties"). These Properties were built on certain leasehold lands from the Ministry of Finance ("MOF") for an initial period of 25 years which was then extended for additional 10 years. Upon expiry of the renewed lease term, MOF had not extended the lease periods and filed legal cases against the Group to evacuate the Properties and for additional rentals. The Group has filed counter legal cases against MOF to renew the lease period. As per the legal counsel, the Group is entitled for the renewal of the lease period based on the original terms of the contracts with MOF. The Group is still managing the operations of the Properties as legal cases are under consideration of the court of cassation. As per the legal counsel, the Group is entitled to revenues arising from the Properties until final ruling is made and repossession effected. Accordingly, revenue from the Properties and related operational costs have been recognised by the Group in the consolidated income statement amounting to KD 3,258,087 (31 December 2021: KD 3,273,612) and KD 2,385,794 (31 December 2021: KD 2,366,748) respectively.

## 26 SEGMENT INFORMATION

The management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

Segment results include revenue and expenses directly attributable to a segment.

The Group has following reportable segments:

- Rental operations: consist of leasing of properties.
- Hospitality operations: consist of hospitality services provided through Marina Hotel, Hilton Hotel, Bhamdoun Hotel and Salalah Residence.
- Property trading: consist of purchase and resale of properties.
- Contracting and services: consist of managing third party properties.
- Real estate development: consist of development of real estate properties.

The following table presents revenue and profit information regarding the Group's operating segments:

| | **Segment revenues 2022 KD** | **Segment gross profit 2022 KD** | **Segment results 2022 KD** | *Segment revenues 2021 KD* | *Segment gross profit 2021 KD* | *Segment results 2021 KD* |
|---|---|---|---|---|---|---|
| Rental operations # | **24,673,397** | **15,112,127** | **11,895,015** | 21,639,357 | 13,237,618 | (6,596,858) |
| Hospitality operations | **12,199,180** | **575,295** | **(2,510,861)** | 9,457,832 | (574,468) | 172,364 |
| Real estate development & Trading | **1,920,673** | **1,617,984** | **(4,653,276)** | 439,804 | (340,474) | (4,362,900) |
| Contracting | **24,070,061** | **1,723,570** | **(1,396,351)** | 36,590,568 | 3,738,230 | 2,457,731 |
| Real estate services | **24,966,612** | **5,126,806** | **2,973,802** | 19,627,742 | 4,484,756 | 3,178,093 |
| Inter-segmental eliminations | **(3,206,456)** | **(1,219,701)** | **(3,748,439)** | (2,847,562) | (453,359) | (1,350,322) |
| **Segment revenues and results** | **84,623,467** | **22,936,081** | **2,559,890** | 84,907,741 | 20,092,303 | (6,501,892) |
| Directors' remuneration* | | | **(42,000)** | | | - |
| Gain on sale of associate* | | | **1,163,836** | | | - |
| **Profit (loss) for the year** | | | **3,681,726** | | | (6,501,892) |

* These costs are not allocated to segments, as this type of activity is driven by the central corporate function, which is managed at the Group level.

# The rental operations segment includes valuation adjustment of investment properties amounting to KD 18,434,933 2021: KD 6,806,358)





## 26 SEGMENT INFORMATION (continued)

**Disaggregated revenue information**

The following presents the disaggregation of the Group's revenues:

| *Timing of revenue recognition* | ***Services performed*** **over time KD** | **at point in time KD** | **Total 2022 KD** | *Services performed* *over time KD* | *at point in time KD* | *Total 2021 KD* |
|---|---|---|---|---|---|---|
| *31 December* | | | | | | |
| Rental operations | **21,241,080** | **3,432,317** | **24,673,397** | 18,813,483 | 2,825,874 | 21,639,357 |
| Hospitality operations | **-** | **12,199,180** | **12,199,180** | - | 9,457,832 | 9,457,832 |
| Real estate development & Trading | **1,539,684** | **380,989** | **1,920,673** | (340,656) | 780,460 | 439,804 |
| Contracting | **24,070,061** | **-** | **24,070,061** | 36,590,568 | - | 36,590,568 |
| Real estate services | **24,966,612** | **-** | **24,966,612** | 19,627,742 | - | 19,627,742 |
| Inter-segmental eliminations | **(3,206,456)** | **-** | **(3,206,456)** | (2,847,562) | - | (2,847,562) |
| **Total revenue from contracts with customers** | **68,610,981** | **16,012,486** | **84,623,467** | 71,843,575 | 13,064,166 | 84,907,741 |

| *Assets:* | **2022 KD** | *2021 KD* |
|---|---|---|
| Rental operations | **451,006,736** | 259,830,126 |
| Hospitality operations | **134,156,713** | 137,120,933 |
| Real estate development & trading | **150,758,209** | 201,030,889 |
| Contracting | **42,706,766** | 45,742,705 |
| Real estate services | **21,984,713** | 20,936,117 |
| Unallocated | **1,114,469** | 1,156,013 |
| Inter-segmental eliminations | **(134,012,559)** | (65,386,051) |
| **Total assets** | **667,715,047** | 600,430,732 |
| *Liabilities:* | | |
| Rental operations | **457,573,658** | 338,037,827 |
| Hospitality operations | **46,440,297** | 70,464,988 |
| Real estate development & trading | **49,067,994** | 77,807,005 |
| Contracting | **41,422,578** | 43,736,868 |
| Real estate services | **17,256,077** | 14,667,859 |
| Unallocated | **(11,949,121)** | 18,799,671 |
| Inter-segmental eliminations | **(120,640,145)** | (147,785,876) |
| **Total liabilities** | **479,171,338** | 415,728,342 |

*Geographical markets*

| *Revenue:* | **2022 KD** | *2021 KD* |
|---|---|---|
| Kuwait | **68,913,366** | 72,457,451 |
| Egypt | **8,697,369** | 6,745,359 |
| Lebanon | **788,170** | 59,836 |
| Oman | **3,452,252** | 3,405,362 |
| Jordan | **2,763,615** | 2,212,241 |
| Europe | **8,695** | 27,492 |
| | **84,623,467** | 84,907,741 |

**26 SEGMENT INFORMATION (continued)**

The revenue information above is based on the location of the subsidiaries.

**Other geographic information**
The following presents information regarding the Group's non-current assets based on its geographical segments:

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Kuwait | **172,387,998** | 91,587,283 |
| Egypt | **149,759,488** | 154,707,249 |
| Lebanon | **29,200,297** | 6,097,918 |
| UAE | **10,913,185** | 11,890,132 |
| Syria | **3,603,926** | 3,245,522 |
| Oman | **73,026,597** | 73,636,538 |
| Bahrain | **290,377** | 185,439 |
| Jordan | **111,427,989** | 111,316,733 |
| Europe | **23,524,207** | 25,989,230 |
| KSA | **1,742,165** | 1,788,721 |
| | **575,876,229** | 480,444,765 |

**27 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise financial assets and financial liabilities.

The methodologies and assumptions used to determine fair values of financial instruments are as follows:

The fair value of financial instruments that are traded in active markets is determined by reference to the quoted market prices or dealer price quotations (bid prices for long positions and ask price for short position) without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

**Determination of fair value and fair value hierarchy:**
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.





**27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| **2022** | ***Level: 1*** ***KD*** | ***Level: 3*** ***KD*** | ***Total*** ***KD*** |
|---|---|---|---|
| **Financial assets at fair value through other comprehensive income (Note 6):** | | | |
| Quoted equity shares | **529,832** | **-** | **529,832** |
| Unquoted equity shares | **-** | **1,856,270** | **1,856,270** |
| | **529,832** | **1,856,270** | **2,386,102** |

| 2021 | *Level: 1* *KD* | *Level: 3* *KD* | *Total* *KD* |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income (Note 6): | | | |
| Quoted equity shares | 205,201 | - | 205,201 |
| Unquoted equity shares | - | 3,215,546 | 3,215,546 |
| | 205,201 | 3,215,546 | 3,420,747 |

The impact on the consolidated statement of financial position or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

The following table below shows a reconciliation of the opening and the closing amount of level 3 financial assets measured at fair value:

| | ***31 December 2022*** ***KD*** | *31 December 2021* *KD* |
|---|---|---|
| As at 1 January | **3,215,546** | 3,185,168 |
| Re-measurement recognised in other comprehensive income | **(1,153,674)** | (9,084) |
| Others including net (sales) purchases and transfer | **(205,602)** | 39,462 |
| As at 31 December | **1,856,270** | 3,215,546 |

**Fair value of the Group's financial assets that are measured at fair value on a recurring basis:**

*Financial assets at fair value through other comprehensive income:*
Fair values of financial assets classified as fair value through other comprehensive income are determined using valuation techniques that are not based on observable market prices or rates. Unquoted equity shares are valued based on price to book value method using latest available financial statements of the investee entities.

## 28 BUSINESS COMBINATION

On 25 August 2022, the Parent Company obtained the approval of Kuwait Capital Market Authority (CMA) to merge United Towers Holding Company K.S.C. (Closed) ("UTHC"), an existing associate, with the Parent Company through swap, where shareholders of UTHC will receive shares of the Parent Company. UTHC was principally engaged in provision of real estate activities.

On 22 December 2022, the share swap was executed and the Parent Company issued 184,245,297 shares against 287,883,276 UTHC shares (owned by shareholders other than the Parent Company) according to the swap ratio of 0.64 of the Parent Company's share for each UTHC's share. As a result of this, the Parent Company acquired control of UTHC, by issuing 184,245,297 new shares of the Parent Company at purchase consideration of KD 11,271,912 (net of treasury shares), being the quoted price of the shares of the Parent Company at the date of acquisition. The acquisition has been accounted for in accordance with IFRS 3: *Business combination* ("IFRS 3").

The consideration paid and the provisional fair values of assets acquired and liabilities assumed, as well as the non-controlling interest at the proportionate share of the acquiree's identifiable net assets, are summarized as follows:

| | *KD* |
|---|---|
| **Assets** | |
| Cash in hand and at banks | **485,386** |
| Receivables and prepayments | **719,258** |
| Due from related parties | **2,321,735** |
| Financial assets designated at fair value through other comprehensive income | **2,951,858** |
| Investment properties | **126,423,000** |
| Property and equipment | **295,220** |
| | **133,196,457** |
| **Liabilities** | |
| Term loan | **56,552,565** |
| Other liabilities | **2,389,112** |
| | **58,941,677** |
| **Net assets acquired** | **74,254,780** |
| Purchase consideration | **(11,718,626)** |
| Fair value of previously held interest | **(30,467,011)** |
| **Bargain purchase gain** | **32,069,143** |
| **Cash flows on business combination** | |
| Cash and bank balances in subsidiary acquired | **485,386** |
| **Net cash inflow on business combination** | **485,386** |

In accordance with requirements of IFRS 3, the Group has carried out a purchase price allocation ("PPA") exercise which resulted in a gain from business combination, since the fair value of the assets acquired and liabilities assumed exceeded the purchase consideration.

Acquisition-related costs are charged to the consolidated income statement of the Group.

Had the business combinations taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders of the Parent Company, would have been higher by KD 4,565135 and KD 1,310,037 respectively.

The Extra-Ordinary General Meeting (EGM) of the Parent Company, held during the year approved the merger between UTHC and Parent Company by way of amalgamation, including the dissolution of UTHC Pursuant to which the Parent Company shall be the merging company and UTHC will be merged company in accordance with the provision of articles 255 and 262 of the Companies Law no. 1 of 2016 and its executive bylaws and provisions of Book IX ("Mergers and Acquisitions") of the Executive Regulation of Law no. 7 of 2010 on the Establishment of the Capital Markets Authority and Regulation of the Activity of Securities. The EGM also approved the share swap ratio as noted above. This resulted in cancelling of UTHC shareholders' register with Kuwait Clearing Company on 22 December 2022.





## 29 INVESTMENT IN A SUBSIDIARY

On 25 August 2022, the Parent Company also obtained approval of CMA to merge Al Dhiyafa Holding Company K.S.C. (Closed) ("DHC") an existing subsidiary of the Parent Company, through a swap, where shareholders of DHC received shares of the Parent Company.

On 22 December 2022, the share swap was executed, resulting in cancellation of DHC's shareholders' register with Kuwait Clearing Company on same date. As a result of this, the Parent Company issued 58,325,796 shares against 100,561,717 DHC shares (owned by shareholders other than the Parent Company) according to the swap ratio of 0.58 of the Parent Company's share for each DHC's share. Accordingly, this was accounted for as an increase in ownership interest without loss of control and resulted in an increased share capital of the Parent Company by KD 5,832,580, decrease in other reserves by KD 221,566 and decrease of non-controlling interests by KD 13,743,230 and with the balance of KD 8,132,217 being recorded in "retained earnings".

During the year, the EGM of the Parent Company also approved the merger between DHC and Parent Company by way of amalgamation, including the dissolution of DHC. Pursuant to which the Parent Company became the merging company and DHC became the merged company.

## 30 RISK MANAGEMENT

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability. The Group's principal financial liabilities comprise interest bearing loans, accounts and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group's financial assets comprise accounts and other receivables, due to related parties and cash and short-term deposits. The Group also holds financial assets at fair value through other comprehensive income, loan to an associate.

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the year ended 31 December 2022, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2020.

**Risk management structure**
The Board of Directors of the Parent Company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

**Excessive risk concentration**
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

### 30.1 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. The Group manages credit risk by setting limits for individual counter-parties, monitors credit exposures, and continually assesses the creditworthiness of counterparties, with the result that the Group's exposure to bad debts is not significant.

The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group management.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and short term deposits, the Group's exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of bank balances, short term deposits and accounts receivable. The Group is also exposed to credit risk on its loan to an associate. Due to the nature of the Group's business, the Group does not take possession of collaterals.

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The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group management.

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**30 RISK MANAGEMENT (continued)**

**30.1 Credit risk (continued)**

***30.1.1 Gross maximum exposure to credit risk***
The table below shows the gross maximum exposure to credit risk across financial assets before credit risk mitigation:

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Bank balances and short-term deposits | **20,759,726** | 14,182,055 |
| Accounts receivable and other assets *(excluding prepayments)* | **59,920,768** | 58,824,777 |
| Loan to an associate | **15,933,124** | 25,160,230 |
| | **96,613,618** | 98,167,062 |

As at 31 December 2022, the maximum credit exposure to a single counterparty amounts to KD 15,933,124 (2021: KD 25,160,230). The above-mentioned, financial assets of the Group are distributed over the following geographical regions:

| Geographical regions | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Kuwait | **72,234,552** | 64,936,671 |
| Jordan | **3,378,543** | 3,580,240 |
| Egypt | **4,857,921** | 2,585,062 |
| Lebanon | **702,417** | 487,624 |
| Oman | **2,462,341** | 1,397,586 |
| Europe | **12,944,391** | 25,173,502 |
| UAE | **8,024** | 4,003 |
| Bahrain | **25,429** | 2,374 |
| | **96,613,618** | 98,167,062 |

The Group's exposure is predominately to real estate and construction sectors. There is no concentration of credit risk with respect to real estate receivables, as the Group has a large number of tenants.

*Bank balances and short-term deposits*
The credit risk on bank balances is considered negligible, since the counterparties are reputable banks and financial institutions.

*Accounts receivables*
The Group generally trades only with recognized and creditworthy counter parties. The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

With respect to trade accounts receivable, an impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due and customer segments with similar loss patterns (i.e., product and customer type etc). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade accounts receivable are written-off if past due more than one year are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each trade accounts receivable. The Group does not have a policy to obtain collaterals against trade accounts receivable.

**30 RISK MANAGEMENT (continued)**

**30.2 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a periodic basis.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities.

| | ***Within* one year** | | | | | |
|---|---|---|---|---|---|---|
| | ***Within 1 month KD*** | ***Within 3 months KD*** | ***3 to 12 months KD*** | ***Sub total KD*** | ***1 to 5 years KD*** | ***Total KD*** |
| **31 December 2022** | | | | | | |
| Accounts payable, accruals and other payables | **1,172,788** | **6,774,946** | **77,220,890** | **85,168,624** | **-** | **85,168,624** |
| Interest bearing loans and borrowings | **1,360,682** | **5,425,900** | **56,446,561** | **63,233,143** | **279,147,008** | **342,380,151** |
| Bonds | **847,094** | **60,881,906** | **-** | **61,729,000** | **-** | **61,729,000** |
| **Total liabilities** | **3,380,564** | **73,082,752** | **133,667,451** | **210,130,767** | **279,147,008** | **489,277,775** |

| | *Within* one year | | | | | |
|---|---|---|---|---|---|---|
| | *Within 1 month KD* | *Within 3 months KD* | *3 to 12 months KD* | *Sub total KD* | *1 to 5 years KD* | *Total KD* |
| 31 December 2021 | | | | | | |
| Accounts payable, accruals and other payables | 5,508,683 | 10,834,999 | 61,332,714 | 77,676,396 | - | 77,676,396 |
| Interest bearing loans and borrowings | 510,533 | 1,600,000 | 26,684,684 | 28,795,217 | 277,338,242 | 306,133,459 |
| Bonds | 246,885 | 493,771 | 2,962,625 | 3,703,281 | 63,703,282 | 67,406,563 |
| Total liabilities | 6,266,101 | 12,928,770 | 90,980,023 | 110,174,894 | 341,041,524 | 451,216,418 |

Interest bearing loans and borrowings includes an amount of short term loans and overdraft KD19,883,288 (2021: KD 21,370,970). The balance is due within one year from the reporting date and is renewable on maturity.

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

**30 Market risk**

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

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





**30 RISK MANAGEMENT (continued)**

**30.3 Market risk (continued)**

***30.3.1 Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. Interest rate risk is managed by the finance department of the Parent Company. The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (bank deposits, loans and borrowings and bonds) as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to keep a substantial portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit before directors' remuneration and taxation, based on floating rate financial assets and financial liabilities held at 31 December 2022 and 31 December 2021. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible increase in interest rates, with all other variables held constant.

| | *50 basis points increase Effect on profit before directors' remuneration and taxation* | |
|---|---|---|
| | ***2022 KD*** | *2021 KD* |
| US Dollars | **(136,220)** | (153,524) |
| Kuwaiti Dinars | **(1,283,223)** | (1,024,102) |
| Omani Riyal | **(73,395)** | (53,046) |
| Egyptian Pound | **(21,019)** | (1,969) |

The effect of decrease in the basis points on the results will be symmetric to the effect in increased in the basis points.

***30.3.2 Equity price risk***

Equity price risk arises from changes in the fair values of equity investments. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are quoted on the regional Stock Exchanges.

The effect on other comprehensive income as a result of a change in the fair value of equity instruments held as available for sale financial assets at 31 December 2022 and 31 December 2021 due to 5% increase in the following market indices with all other variables held constant is as follows:

| | *Effect on equity* | |
|---|---|---|
| Market indices | ***2022 KD*** | *2021 KD* |
| Kuwait | **31,622** | 50,868 |
| Others | **87,682** | 171,173 |

The effect on the profit before directors' remuneration and taxation represents decrease in fair value of impaired available for sale investments which will be recorded in the consolidated income statement. Sensitivity to equity price movements will be on a symmetric basis to the effect of increase in equity prices.

**30 RISK MANAGEMENT (continued)**

**30.3 Market risk (continued)**

***30.3.3 Foreign currency risk***

Currency risk is the risk that the value of the financial instrument on monetary items will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the Kuwaiti Dinar. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a change in currency rate by 1%, with all other variables held constant:

| | *Increase by 1%* | |
|---|---|---|
| | *Effect on profit before directors' remuneration and taxation* | |
| | ***2022*** | *2021* |
| | ***KD*** | *KD* |
| US Dollars | **(229,381)** | (526,497) |
| Euro | **169,331** | 251,602 |
| Egyptian Pounds | **(311,871)** | (44,167) |
| British Pound | **280** | (337) |
| Omani Riyal | **(197,602)** | (154,196) |
| Jordanian Dinar | **(11,391)** | (1,576) |

The effect of decrease in the currency rate by 1% will be symmetric to the effect of increase in the basis.

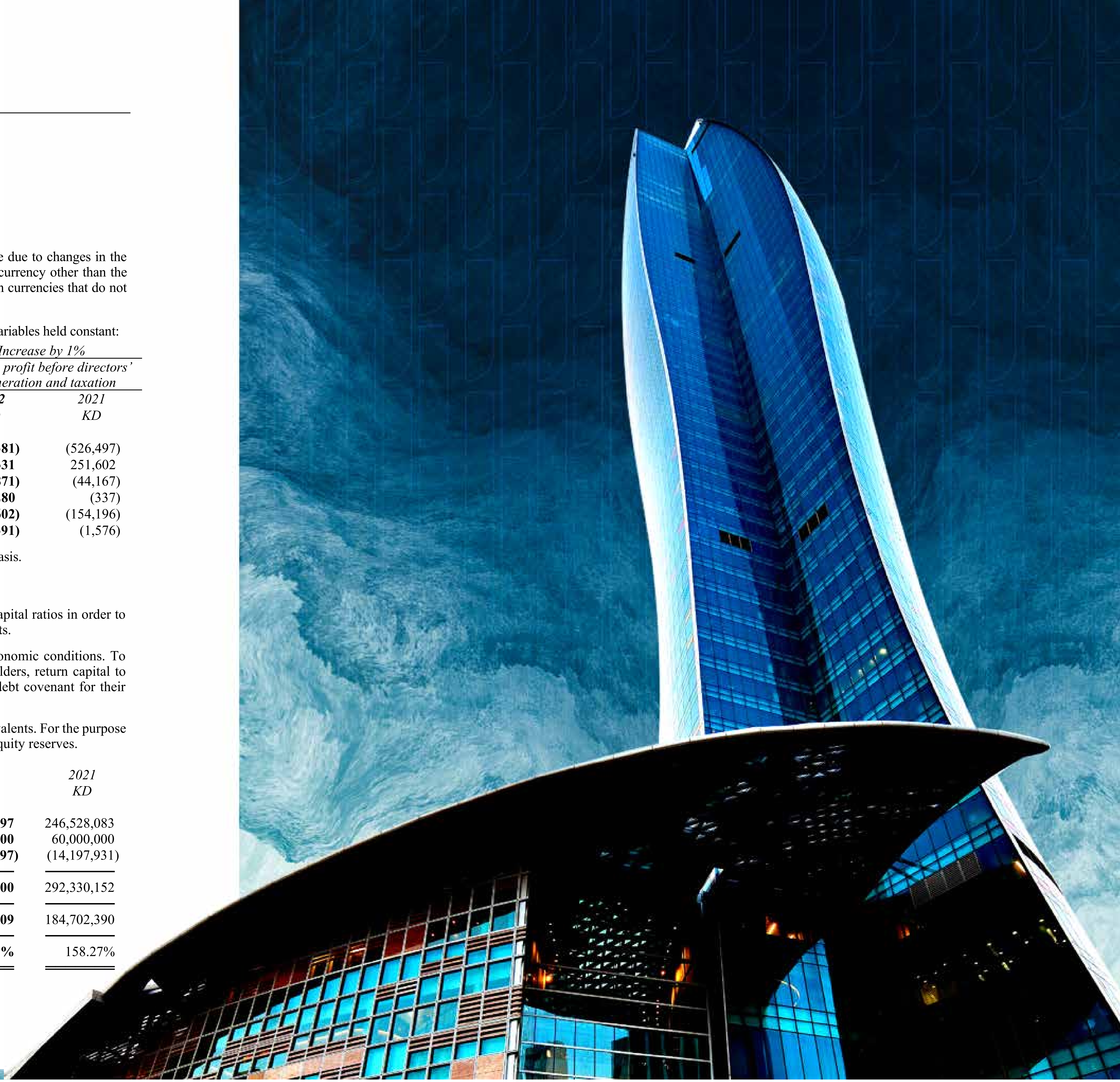
**31 CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business, maximise shareholder value and remain within the quantitative loan covenants.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio as per the debt covenant for their loans, which is net debt divided by total equity.

The Group includes within net debt interest-bearing loans and borrowings, less cash and cash equivalents. For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves.

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Interest bearing loans and borrowings (Note 11) | **302,771,297** | 246,528,083 |
| Bonds (Note 12) | **60,000,000** | 60,000,000 |
| Less: Cash, bank balances and short-term deposits (Note 3) | **(20,799,397)** | (14,197,931) |
| Net debt | **341,971,900** | 292,330,152 |
| Total equity | **188,543,709** | 184,702,390 |
| Gearing ratio | **181.38%** | 158.27% |



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