ANNUAL REVIEW **2016**

شركة العقارات المتحدة
United Real Estate Co

Dar al-Athar al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different piece of woven textile from The al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item pictured here (LNS 549 T) is a silk and metal thread garment trimming, woven with birds enclosed in an abbreviated calligraphic device. The item was made in the East Iranian world in the late 12th century or early 13th century CE. The image is reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

This year, the annual reports of KIPCO Group companies each feature a key woven textile from Dar al-Athar al-Islamiyyah - one of the world's finest collections of Islamic art. These images are reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

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Message from the Board

Message from the Board

Dear Shareholder,

I am pleased to present you with United Real Estate Company's (URC) Annual Report for the year ending December 31st 2016, which demonstrates both positive results and revenue growth.

I would like to highlight the most significant achievements and events that took place during the year ending December 31st, 2016. The year 2016 witnessed several economic changes that affected the investment environment globally, as well as the Middle East and North Africa region, in which a majority of URC's investments are located. Among these economic changes was the depreciation of the Egyptian pound and BREXIT.

Despite these changes, we were able to fulfill our promise in the past year, where the company achieved a growth in revenue from KD 61 million to KD 71 million, yielding an increase of 17%, as compared with the same period in 2015. Additionally, net profit increased by 2%, to reach KD 8.7 million, compared with KD 8.5 million in 2015, where the Board of Directors recommended a cash dividend of 5 fils per share (an average of 5%).

The consistency in achieving positive financial outcomes is a result of URC's set strategy, which seeks to balance sources of income and restructure the company's asset and business portfolios to achieve a steady and consistent rate of return, taking into consideration various risk factors. In light of the economic fluctuations, URC's Management conducted a comprehensive evaluation of the company's assets, which vary in nature including land, real estate and operating companies, as well as residential properties for sale in different geographical locations, in order to prioritize URC's investments as well as comprehensively evaluate the company's future projects.

In 2016, total assets rose by 3.2% to reach KD 572 million, in addition to growth in both revenue and profits. Furthermore, the company not only focused on real estate development and operations, but also extended its focus to support its subsidiaries, which specialize in building and contracting, and facilities and project management, and which are expected to double their results within the next few years. Revenues of contracting and services and facilities management increased by 118% to reach KD 26.8 million, as compared with 2015. These positive results demonstrate the efforts implemented in URC's key sectors of business, amidst the economic difficulties faced by the region.

We are pleased to provide an overview of the developments of our ongoing projects that took place during the past year, starting with the launch and opening of Abdali Mall, the largest mall in the Kingdom of Jordan, which we anticipate will set a new benchmark in shopping and entertainment experiences.

The company's latest development in the Kingdom of Morocco is Assoufid, which spans over 2 million square meters in the city of Marrakech. The project consists of a high-end golf course and will include a five star hotel and luxury residential units consisting of villas and apartments, and various services and amenities. The final master plan design of the project has been approved, in addition to the selection and contract signing for project management services and the commencement of infrastructure design works. Additionally, contracts for a hotel operator and main architect are currently underway.

Message from the Board

Furthermore, we are pleased to announce the company's newest development in Egypt, which consists of apartments and a commercial complex and various office units. The project covers a total area of 108,000 square meters in New Cairo and is expected to commence marketing and sales activities soon. In the Sultanate of Oman, the final masterplan design has been approved for URC's project in the area of Shuwaimiyah, which includes a hotel component and residential units, where contracts for a hotel operator and main architect are currently underway.

In-line with the company's expansion plans for the coming years, URC's management was committed to further developing and strengthening its relationships with various financial and investment institutions in 2016. In addition, the company's management evaluated several financial alternatives in order to mitigate risks and diversify financial resources to support strategic partnerships.

Additionally, we would like to emphasize the Board of Director's serious and effective measures taken to ensure the company adheres to the highest level of corporate governance and internal control that is in-line with the nature of URC's business as a leader in the real estate market. The same approach will continue throughout 2017 to achieve efficiency and accomplish the company's objectives and implementation of URC's strategic plans.

In conclusion, I would like to extend my gratitude and appreciation to our Shareholders for their continued support and unwavering trust. I would also like to commend the sincere efforts of the Executive Management and our valued employees, and all of our subsidiaries and affiliates.

My sincerest wishes for continued the success and prosperity of our beloved country under the guidance and leadership of HH the Amir of the State of Kuwait and HH the Crown Prince.

Sincerely,

Tariq Mohammed AbdulSalam
Chairman

Board of Directors

Tariq Mohammed AbdulSalam
Chairman

Ali Ibrahim Marafi
Vice Chairman

Sheikh Fadel Khaled Al-Sabah
Board Member

Sheikha Bibi Nasser Sabah Al-Ahmed Al-Sabah
Board Member

Samer Subhi Khanachet
Board Member

Mazen Isam Hawwa
Board Member

Adel Jassem Al Waqayan
Board Member

Company Management

Ahmad Kasem
Deputy CEO

Amr Sultan
Group Chief Financial Officer

Oussama Zeitoun
Chief Development Officer

Augostino Sfeir
Chief Investment Officer

Joe Saliba
Chief Legal & Compliance Officer

Samir Harmouche
Senior Vice President
Property Management

United Real Estate Company (URC)

United Real Estate Company (URC) is one of the Middle East and North Africa's leading real estate developers, with consolidated assets of KD 572 million (US$ 1.87 Billion) as of 31 December 2016. URC was founded in 1973 and listed on the Kuwait Stock Exchange in 1984. URC primarily operates through a number of operational subsidiaries and investment arms across the MENA region. The company's core business is real estate development and operations, and enjoys a diversified portfolio of assets that comprise residential, office, hospitality, and retail properties.

Furthermore, URC's operations extend to construction and contracting, facility management, and project management through its several subsidiaries. The company's businesses are geographically spread across a number of countries through several assets such as Marina World, Marina Hotel, and KIPCO Tower in Kuwait, Salalah Gardens Mall & Residences in Oman, Abdali Mall in Jordan, Raouche View 1090 in Lebanon, Aswar Residences and Fairmont Hotel & Tower in Egypt, and Assoufid in Morocco.

KIPCO Group is URC's majority shareholder, which is one of the largest holding companies in the Middle East and North Africa, with consolidated assets of US$ 32.7 billion as of 31 December 2016. The Group has significant ownership interests in a portfolio of more than 60 companies operating across 24 countries. The Group's main business sectors are financial services, media, manufacturing, and real estate. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and healthcare sectors.

Key Achievements in 2016

- Opening of Abdali Mall in Amman, Kingdom of Jordan.
- Completion of Aswar Residences, located in New Cairo, Egypt.
- Substantial construction progress of the Company's latest residential development in Egypt, Avaris.
- Obtained the authorities final approval on the amended masterplan for the Assoufid project in Morocco that resulted in a substantial increase of project's built-up area, and accordingly will cultivate the project's value significantly and boost the expected profits.
- Achieved URC's planned objectives of developing its specialized subsidiaries in construction and contracting, facilities management, as well as project management, as illustrated by the doubled sector's revenue. We plan to maintain this growth trend through the upcoming years according to the company's strategy.

Assets of URC

Key Operational Assets

Marina World

Situated along Kuwait's coastline, Marina World is a landmark mixed-use development located in one of Kuwait's main shopping districts. The development consists of Marina Mall, one of Kuwait's landmark shopping malls with more than 130 international brands and comprises a total leasable area of 30,589 square meters. Marina World also includes Marina Crescent, a seafront component lined with cafes and restaurants that covers a total leasable area of 3,212 square meters. The development extends along the sea to include Marina Waves, Marina Walk, and Marina Yacht Club, an exclusive serviced club with space for 126 berths.

Marina Hotel

An integral part of Marina World, Marina Hotel is located in a prime location on the beach in Kuwait. The five-star hotel encompasses 91 rooms complemented by a number of amenities and leisure facilities. The hotel's management operates the Sheikha Salwa Sabah Al Ahmad Hall, a key component of Marina World.

KIPCO Tower

KIPCO Tower is a uniquely designed mixed-use project comprised of office space, residential apartments and commercial and retail spaces. Located in Sharq, Kuwait, the tower is equipped with facilities exclusive to the structure that include superior round the clock security measures and facilities management. The tower's apartments are fitted with unique technology allowing tenants to control lighting, HVAC, blinds, and other systems using wireless touch screens, voice control, and smart phones. With land space of over 4,850 square meters and a built-up area of 96,185 square meters, the tower offers a 360-degree view of Kuwait City overlooking the Arabian Gulf.

Key Operational Assets

Salalah Gardens Mall

Salalah Gardens Mall (SGM) is the first fully integrated shopping mall in the city of Salalah. The internationally award winning mall covers a total built-up area of over 86,000 square meters. The project features a wide variety of shopping, dining and entertainment options, as well as a traditional souq and the city's first multiplex cinema. Salalah Gardens Mall embraces traditional Omani architectural styles, and merges it with modern interiors. The mall includes a large landscaped garden and outdoor space for seating activities.

Salalah Gardens Residences

The 4-star hospitality component of Salalah Gardens Mall is Salalah Gardens Residences (SGR), which comprises of 168 keys ranging from one to three bedrooms with connecting doors to accommodate for large families. The hotel's facilities range from a kids' play area to ladies lounge, an outdoor swimming pool, meeting rooms and business center.

Raouche View 1090

Overlooking Beirut's iconic Raouche Rock and the Mediterranean Sea, Raouche View 1090, is a high-end residential development. Built over 22 floors, the project consists of 40 apartments and two duplex penthouses in addition to a number of amenities that includes a gymnasium, indoor and outdoor swimming pools, outdoor seating areas and a children's pool.

Key Operational Assets

Gulf Egypt for Hotels & Tourism

Eng. Mohsen Abualazm
Managing Director

Fairmont Heliopolis Hotel & Fairmont Tower

The Fairmont Heliopolis Hotel & Fairmont Tower are located along the Airport Road in Cairo, Egypt. The hotels comprise a of total 840 rooms, ranging in different room types and suites and a variety of sizes and layouts. The five-star hotels include several swimming pools, spa, state of the art health club, restaurants, cafes and lounges as well as various entertainment choices such as tennis and squash courts. The development also features a large conference hall and business center, making the Fairmont Heliopolis Hotel & Fairmont Tower a complete business and tourist destination.

Key Operational Assets

United Real Estate Financial Investment Holding Company

Dr. Sherif Kansouh
Chief Executive Officer

Aswar Residences

Aswar Residences is an exclusive gated residential community in the up-and-coming city of New Cairo. The project includes 75 villas, each with three floors and a private garden, basement parking, and a multi-purpose room. The development was designed to create an integrated residential community, with lifestyle amenities such as landscaped gardens, pedestrian paths, as well as a clubhouse, gymnasium and children's play areas.

United Real Estate Company – Jordan

Eng. Abdelmajid Al Kabariti
Chief Executive Officer

Abdali Mall

Open to the public in 2016, Abdali Mall is a fully integrated shopping mall spanning over 227,000 square meters in Amman, Kingdom of Jordan. The development includes a total leasable area of over 55,000 square meters and embraces a new design of merged indoor and outdoor retail spaces to provide a complete integrated retail experience through its diverse tenant mix of international brands, dining and entertainment options, advanced cinema complex and a unique open-air food court. The development includes innovative sustainability design features such as water and energy conservation, natural lighting, sustainable air-conditioning systems and an intelligent parking system. Abdali Mall was recognized for its excellence by the Cityscape Global 2016, winning 'Best Retail Project' for Emerging Markets in the Retail Project (Built) category.

Key Projects Under Development

Assoufid

Assoufid is an integrated tourism and residential resort situated in the city of Marrakech and covers a total area that exceeds 2 million square meters. The development includes Assoufid Golf Club, which consists of 18 - hole golf course that offers an exciting experience. The golf course has a unique design on a naturally undulating terrain, with the majestic Atlas Mountains as its backdrop. In addition, a signature restaurant, pro shop, member's lounge, and a private pavilion.

The golf club has won several internationally awards including 'TripAdvisor's Certificate of Excellence 2016', and 'Africa's Best Golf Course 2016' and 'Morocco's Best Golf Course 2016', by the World Golf Awards. Currently under development is a five-star hotel and luxury branded villas, residential apartments, in addition to a number of services and amenities, which will provide a unique, luxurious lifestyle experience.

Avaris

Avaris is a high-end integrated development in the heart of New Cairo, Egypt. The project spans over 108,000 square meter plot and consists of six clusters. The clusters are further divided into 61 apartment buildings, accompanying 468 apartments with a variety between apartments and duplexes in addition to a retail complex and office units. Currently under development, the project's marketing and sales campaigns will be launched soon.

URC Subsidiaries

Subsidiaries

United Facilities Management (UFM)

Mr. Ahmed Yousef Al Kandari
Vice Chairman & CEO

UFM is a wholly owned subsidiary of URC and is a leading provider of integrated facilities management services. Established in 2007, UFM was the first company to offer complete integrated facilities and property management services in Kuwait and continues to apply innovation, technology and excellent operational standards to its services, which include maintenance, safety, security, cleaning, management and business support services. The company's portfolio includes providing commercial, retail, hospitality, residential and mixed-use facilities management services across the MENA region including Kuwait, Sultanate of Oman, Kingdom of Jordan, Arab Republic of Egypt, and United Arab Emirates.

In 2016, UFM signed several contracts with both private and government sectors. UFM extended its reach further regionally through an acquisition of controlling interest in a facilities management company in the UAE, and entered the Jordanian market through a 50% new partnership. Furthermore, the company was awarded a new technical classification in 2016 by the Central Tenders Committee in Kuwait.

United Building Company (UBC)

Eng. Mohammed Salem Al Wetayan
Chief Executive Officer

UBC is a pioneer in the Kuwait building and construction industry. Classified as a Grade 1 civil contracting company since 1984, UBC has a long track record with several landmark projects in Kuwait. Currently, UBC has various projects under construction valued at approximately KD 70 million.

The year 2015 and 2016 marked a significant expansion for UBC through a higher number of contracts and the award of right of use of a ready mix concrete plant to support such expansion. The signed contracts are with the Ministry of Justice, Expropriation for Public Benefit Department and BOT Agency, and the Experts Department Headquarters, as well as contracts in the Health sector in Kuwait.

United International Project Management Company (UIPM)

Eng. Yousef Ghazi Al Saqabi
Chief Operations Officer

Previously Kuwait United Construction Management, United International Project Management Company (UIPM) is a wholly owned subsidiary of United Real Estate Company. Established in Kuwait since 1988, UIPM provides project management services. UIPM has expertise for over 28 years in project management in different project stages including planning, design, construction and engineering.

Over the past years, the company extended its reach beyond Kuwait by establishing a subsidiary in Egypt, which currently manages two projects. In 2016, UIPM have started the establishment of another subsidiary in Morocco.
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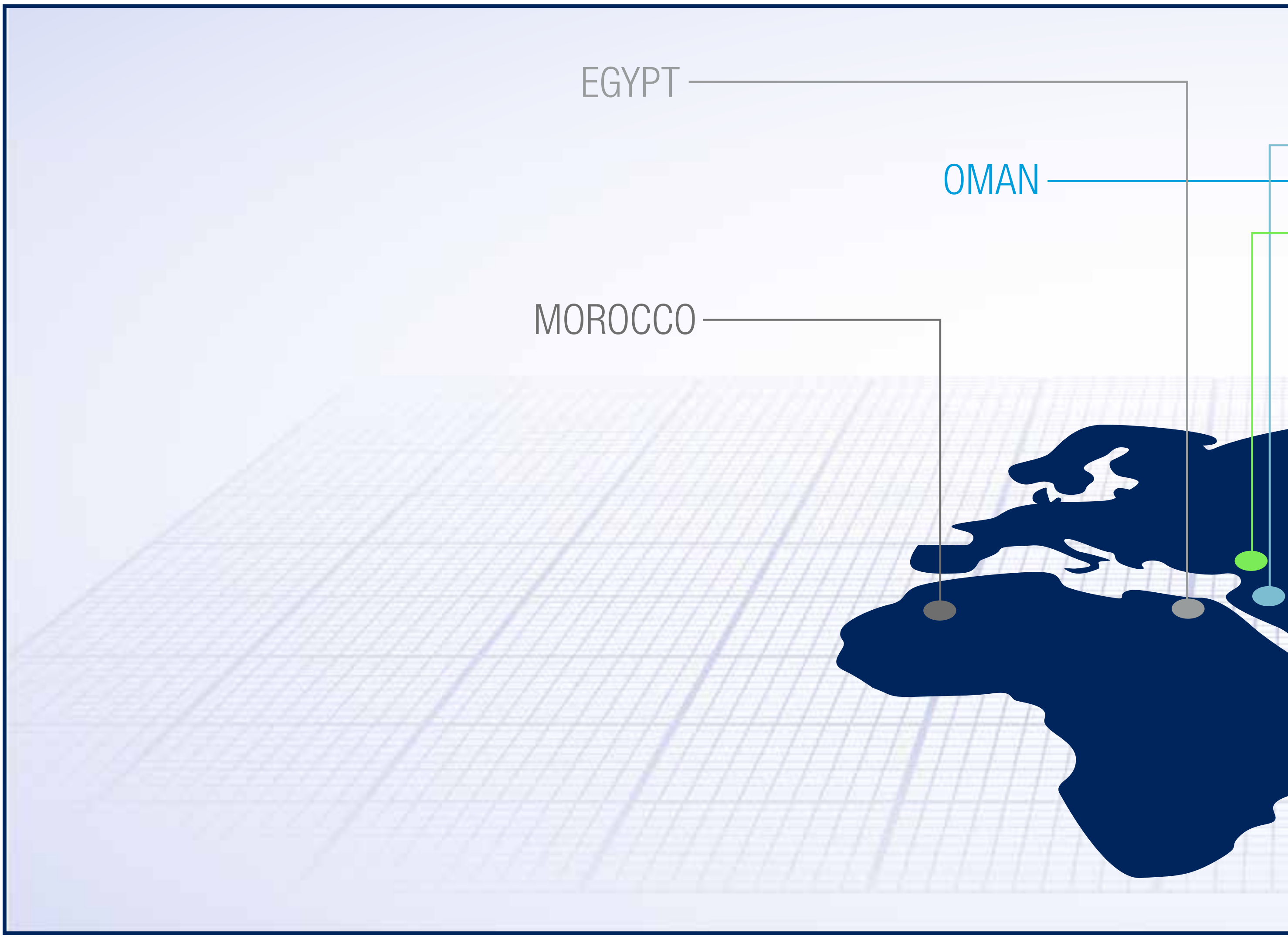
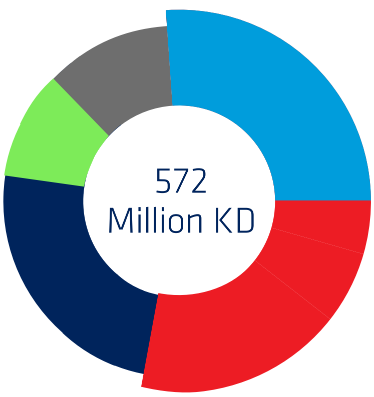
Company Performance

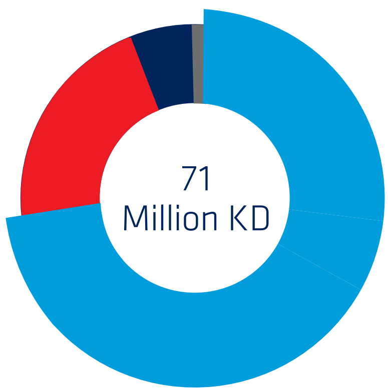
URC Geography & Sector





Assets by Geography

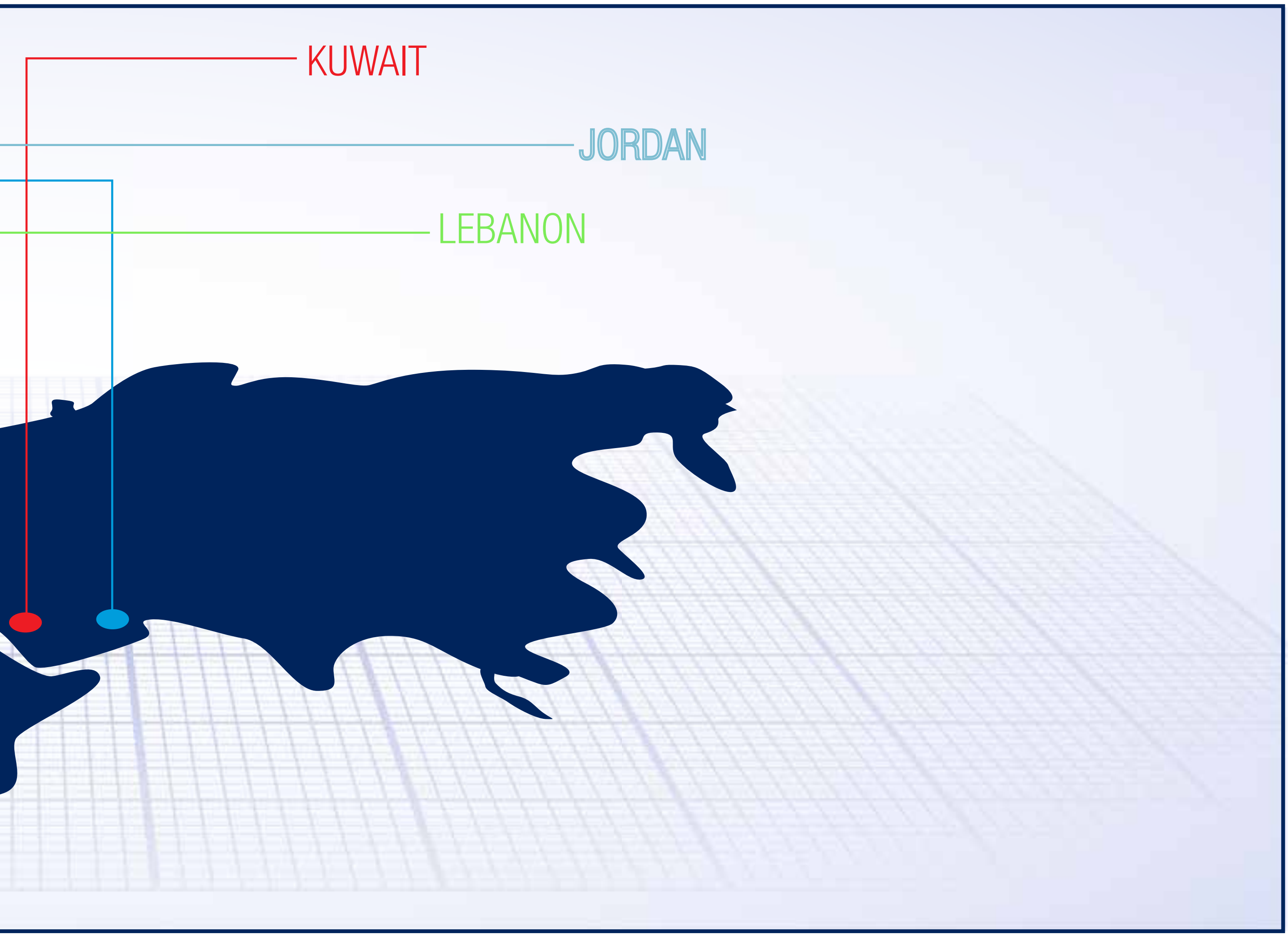
Kuwait	26%
Jordan	26%
Egypt	20%
Oman	13%
Other	15%

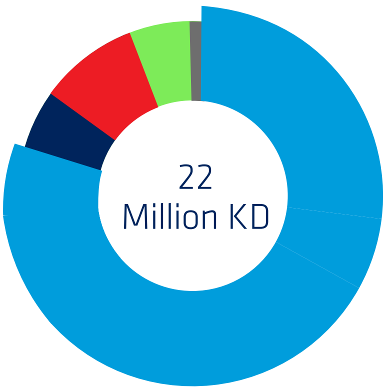


Revenue by Geography

Kuwait	73%
Jordan	1%
Egypt	20%
Oman	6%

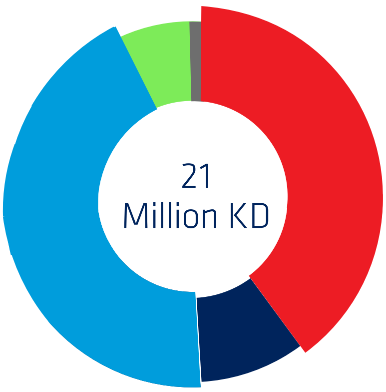
URC Geography & Sector





Gross Profit by Geography

Kuwait	89%
Jordan	-6%
Egypt	11%
Oman	5%
Other	1%



Operating Profit by Geography

Kuwait	45%
Jordan	10%
Egypt	43%
Oman	4%
Other	-2%

Key Financial Highlights

Financial Position (KD Million)

Assets

	2012	2013	2014	2015	2016
Cash and short term deposits	15	11	13	16	18
Accounts rec., prepayments and other assets	18	19	23	20	34
Properties held for trading	44	50	59	65	54
Available for sale investments	9	13	16	19	15
Investment in associates	35	60	67	75	79
Investment properties	366	234	257	272	287
Property and equipment	64	85	87	87	84
Intangible assets	0	0	0	0	1
Total assets	551	473	521	554	572

Liabilities & Equity

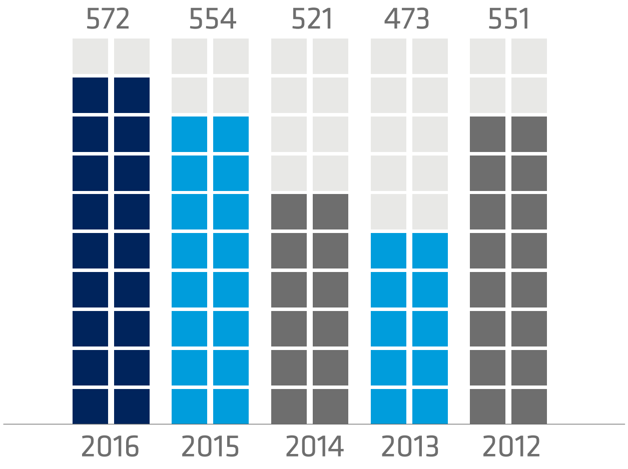
	2012	2013	2014	2015	2016
Total liabilities	299	254	285	303	333
Equity attributable to Parent Company	205	194	198	206	192
Non-controlling interests	47	24	37	45	46
Total liabilities and equity	551	473	521	554	572

Income Statement (KD Million)

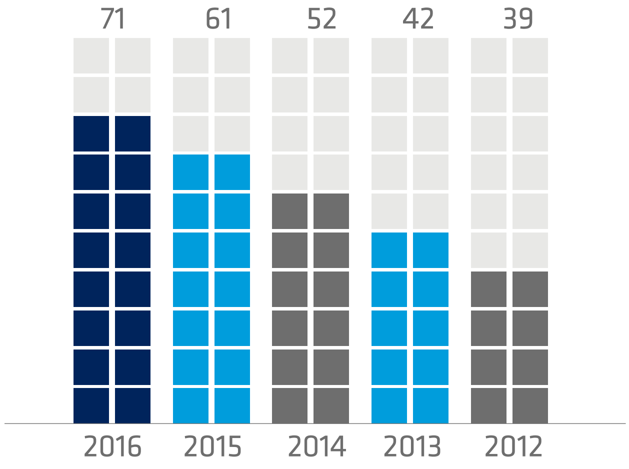
	2012	2013	2014	2015	2016
Revenue	39	42	52	61	71
Cost of revenue	(24)	(23)	(32)	(35)	(49)
Gross profit	15	20	20	25	22
Operating profit	10	20	17	23	21
Profit before taxation and directors' remuneration	24	12	9	12	14
Profit for the year	23	11	8	10	10
Non-controlling interests	0	(0)	(0)	2	2
Net profit	23	11	8	9	9

Key Financial Highlights

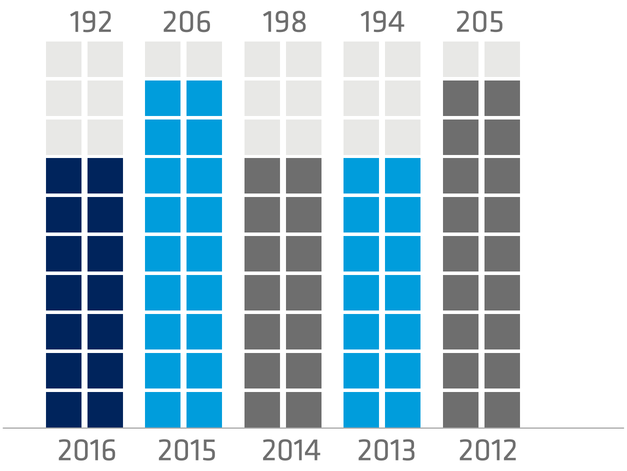
Total Assets (KD Million)



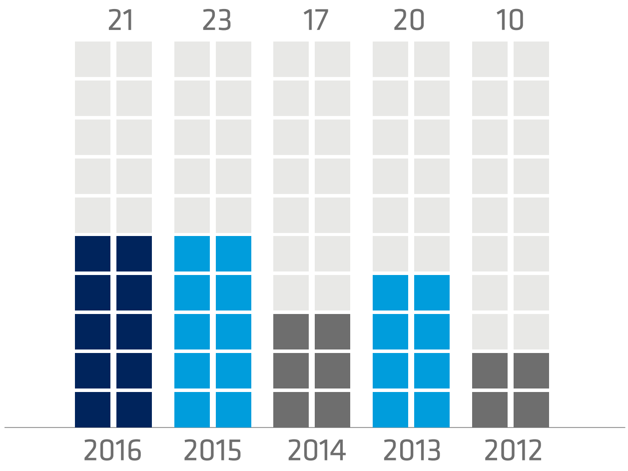
Revenue (KD Million)



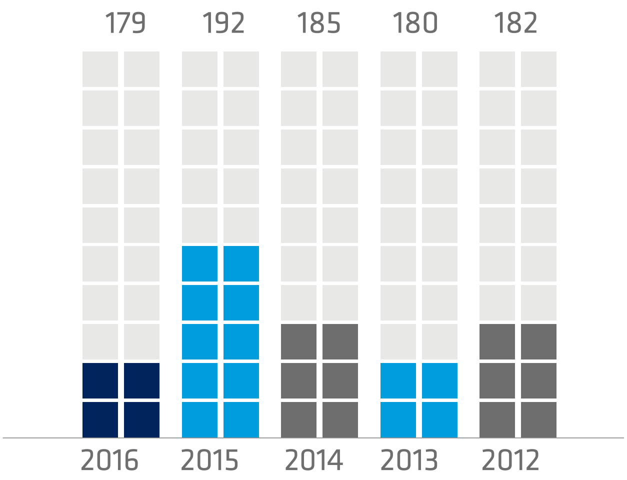
Shareholders Equity (KD Million)



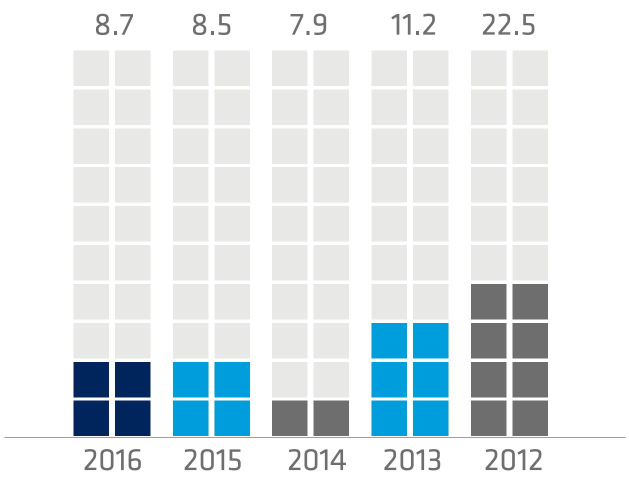
Operating Profit (KD Million)



Book Value per Share (Fils)

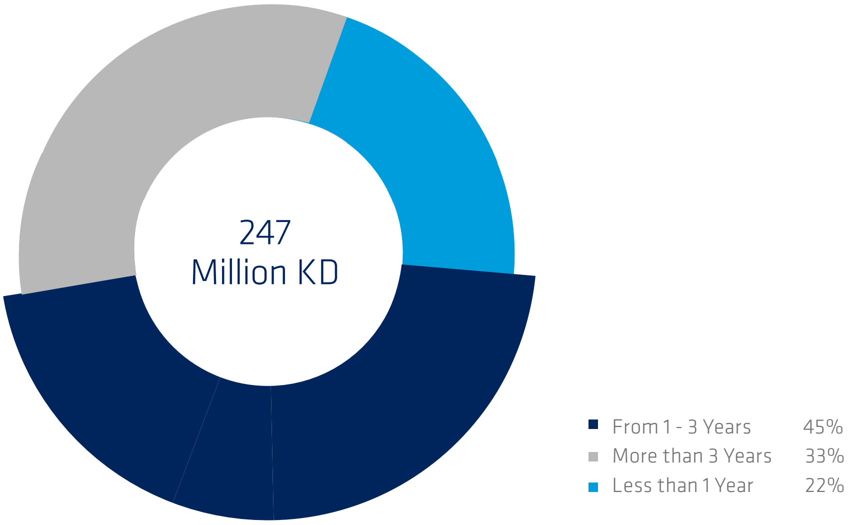


Net Profit (KD Million)



Key Financial Highlights

Net Debt Maturity

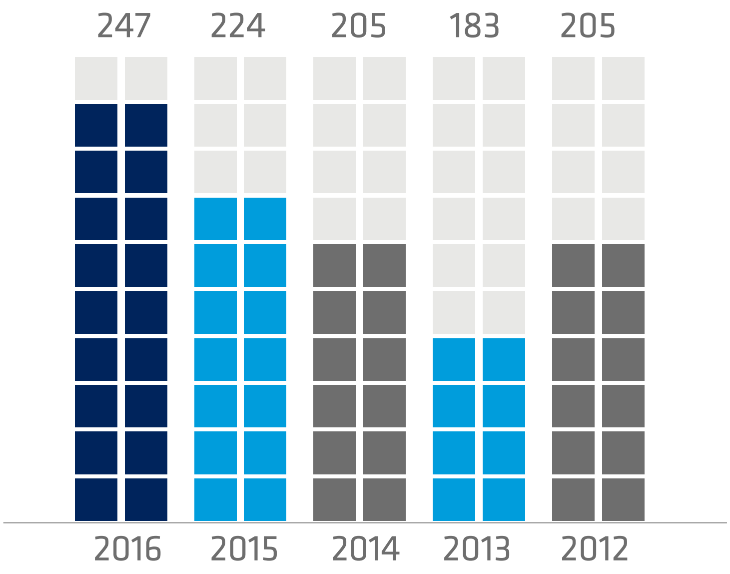


Bond Rating Information

Company Debt Includes KD 60 Million five Years Bond Started on June 2013

Amount	: KD 60 Million
Tenor	: June 2018
Rating Agency	: Capital Intelligence
Bond Rating	: BBB
Outlook	: Stable

Book Value per Share (KD Million)



UNITED REAL ESTATE COMPANY - S.A.K.P.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

Building a better
working world

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of Nexia International

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

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

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 2423415/7
(965) 22424919
Facsimile : (965) 22422026

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED REAL ESTATE COMPANY S.A.K.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of United Real Estate Company S.A.K.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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' Code of Ethics for Professional Accountants (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 basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Valuation of investment properties
Investment properties are significant to the Group's consolidated financial statements. Investment properties constitute of lands for development, properties under construction and developed properties. Management determined the fair value of its investment properties and has used external appraisals to support the valuation as at 31 December 2016. 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. Due to the estimation uncertainty, this is considered a key audit matter. The Group's policies on fair valuation of investment properties are presented in accounting policies section and in Notes 9 of the consolidated financial statements.

As part of our audit procedures, we evaluated the quality and objectivity of the valuation process and the independence and expertise of external appraisers. We also evaluated the accuracy of the property data provided by the Group to the external appraisers, which are used as input for the purpose of valuations. We engaged our own specialist for challenging the external valuations, including the assumptions, estimates and the applied methods used. 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 further assessed that the main assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 9 of the consolidated financial statements.

b) Group audit and subsidiaries
The Group has large number of subsidiaries and are significant to the Group's consolidated financial statements. The geographical decentralised structure increase the complexity of the Group's control environment and our ability as a Group auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to the complexity of the Group structure and the significance of the subsidiaries to the Group's consolidated financial statements, this is considered as a key audit matter. Details of Group's subsidiaries and the basis of the consolidation is presented in the accounting policies in Note 2 of the consolidated financial statements.

As part of our audit, we determined the nature and extent of the audit procedures to be carried out for subsidiaries and selected significant subsidiaries based on the size and/or the risk profile of these subsidiaries. During our audit we have specifically focused on risks in relation to the decentralised structure and we have extended our involvement in local audit work performed by the component auditors. We organised meetings and conference calls with components in our audit scope. We, further discussed the audit approach with significant subsidiaries auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and the transactions with them. We also set out the information required to be reported back to us as part of group reporting.

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

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 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 Group's 2016 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 is 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

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.

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, and its executive regulations, 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 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016, that might have had a material effect on the business of the Company or on its financial position.

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

Dr. ALI OWAID RUKHEYES
LICENCE NO. 72-A
MEMBER OF NEXIA INTERNATIONAL – (ENGLAND)
Al Waha Auditing Office

7 March 2017
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 KD	2015 KD
ASSETS			
Non-current assets			
Property and equipment	10	**84,288,546**	86,879,124
Investment properties	9	**286,950,163**	272,259,467
Investment in associates	8	**78,780,297**	75,400,255
Available for sale investments	7	**14,678,335**	18,547,688
Intangible assets		**764,311**	12,496
		465,461,652	453,099,030
Current assets			
Properties held for trading	6	**54,114,363**	64,855,667
Accounts receivable, prepayments and other assets	5	**34,307,228**	19,873,360
Cash, bank balances and short term deposits	4	**17,826,257**	16,051,069
		106,247,848	100,780,096
TOTAL ASSETS		**571,709,500**	553,879,126
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	12	**131,710,953**	124,172,475
Deferred tax liabilities	20	**15,657,341**	11,372,899
Bonds	13	**60,000,000**	60,000,000
		207,368,294	195,545,374
Current liabilities			
Interest bearing loans and borrowings	12	**72,733,055**	55,781,176
Accounts payable, accruals and other payables	11	**53,067,059**	51,447,648
		125,800,114	107,228,824
Total liabilities		**333,168,408**	302,774,198
EQUITY			
Share capital	14	**118,797,442**	118,797,442
Share premium	14	**15,550,698**	15,550,698
Statutory reserve	15	**20,253,562**	19,320,503
Voluntary reserve	16	**2,582,767**	2,582,767
Treasury shares	17	**(14,478,743)**	(14,478,743)
Treasury shares reserve		**491,325**	491,325
Other reserve		**152,073**	152,073
Cumulative changes in fair values		**38,415**	20,781
Foreign currency translation reserve		**(11,839,198)**	5,021,965
Retained earnings		**60,897,549**	58,493,894
Equity attributable to equity holders of the Parent Company		**192,445,890**	205,952,705
Non-controlling interests		**46,095,202**	45,152,223
Total equity		**238,541,092**	251,104,928
TOTAL LIABILITIES AND EQUITY		**571,709,500**	553,879,126

Tariq M. AbdulSalam
Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	*2016 KD*	*2015 KD*
REVENUE			
Gross rental income		**21,128,714**	20,082,245
Hospitality income		**20,238,161**	21,584,005
Contracting and services revenue		**26,759,922**	12,257,484
Sale of properties held for trading		**194,542**	1,133,928
Other operating revenue		**2,414,660**	5,486,670
		70,735,999	60,544,332
COST OF REVENUE			
Properties operating costs		**(3,531,744)**	(1,777,317)
Rental expense on leasehold properties		**(1,669,130)**	(1,482,003)
Hospitality costs		**(13,538,278)**	(14,310,471)
Depreciation of hospitality assets	10	**(4,168,355)**	(3,994,305)
Contracting and services costs		**(25,825,466)**	(12,867,767)
Cost of properties held for trading sold	6	**(150,725)**	(943,529)
		(48,883,698)	(35,375,392)
GROSS PROFIT		**21,852,301**	25,168,940
Investment income	18	**127,951**	165,925
General and administrative expenses	19	**(7,031,059)**	(6,336,785)
Depreciation of property and equipment	10	**(350,329)**	(328,701)
Gain on disposal of investment properties		**-**	204,040
Valuation gain on investment properties	9	**7,517,473**	4,617,110
Provision for maintenance on leasehold properties		**(415,000)**	(264,000)
Write down of properties held for trading	6	**(7,308)**	(5,788)
Net impairment of accounts receivable and other assets	5	**(246,000)**	(100,000)
OPERATING PROFIT		**21,448,029**	23,120,741
Gain on partial disposal of investment in an associate		**-**	201,120
Gain on disposal of investment in a subsidiary		**-**	93,559
Gain on disposal of property and equipment		**6,007**	110,664
Interest income		**328,536**	426,024
Other income		**243,293**	139,365
Finance costs		**(11,813,254)**	(11,085,198)
Share of results of associates	8	**(505,551)**	(1,592,557)
Foreign exchange gain		**4,297,122**	677,346
PROFIT BEFORE TAXATION AND DIRECTORS' REMUNERATION		**14,004,182**	12,091,064
Taxation	20	**(3,504,281)**	(1,673,924)
Directors' remuneration		**(85,000)**	(90,000)
PROFIT FOR THE YEAR		**10,414,901**	10,327,140
Attributable to:			
Equity holders of the Parent Company		**8,708,237**	8,533,446
Non-controlling interests		**1,706,664**	1,793,694
		10,414,901	10,327,140
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
- **BASIC EARNINGS PER SHARE**	21	**8.1 fils**	7.9 fils
- **DILUTED EARNINGS PER SHARE**	21	**8.1 fils**	7.9 fils

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	*2015*
	KD	*KD*
Profit for the year	**10,414,901**	10,327,140
Other comprehensive income:		
Items that are or may be reclassified subsequently to consolidated income statement:		
Realised gain on sale of available for sale investments transferred to the consolidated income statement	**(7,517)**	(99,797)
Net changes in fair value of available for sale investments	**25,151**	41,744
Exchange difference on translation of foreign operations	**(17,624,848)**	10,541,067
Other comprehensive (loss) income for the year	**(17,607,214)**	10,483,014
Total comprehensive (loss) income for the year	**(7,192,313)**	20,810,154
Attributable to:		
Equity holders of the Parent Company	**(8,135,292)**	13,121,207
Non-controlling interests	**942,979**	7,688,947
	(7,192,313)	20,810,154

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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*	*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 2016	118,797,442	15,550,698	19,320,503	2,582,767	(14,478,743)	491,325	152,073	20,781	5,021,965	58,493,894	205,952,705	45,152,223	251,104,928
Profit for the year	-	-	-	-	-	-	-	-	-	8,708,237	8,708,237	1,706,664	10,414,901
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	17,634	(16,861,163)	-	(16,843,529)	(763,685)	(17,607,214)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	17,634	(16,861,163)	8,708,237	(8,135,292)	942,979	(7,192,313)
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	(5,371,523)	(5,371,523)	-	(5,371,523)
Transfer to statutory reserve	-	-	933,059	-	-	-	-	-	-	(933,059)	-	-	-
At 31 December 2016	**118,797,442**	**15,550,698**	**20,253,562**	**2,582,767**	**(14,478,743)**	**491,325**	**152,073**	**38,415**	**(11,839,198)**	**60,897,549**	**192,445,890**	**46,095,202**	**238,541,092**

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2016

	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*	*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 2015	118,797,442	15,550,698	18,416,444	2,582,767	(14,538,991)	514,316	146,930	78,834	410,214	56,236,030	198,194,684	37,434,356	235,629,040
Profit for the year	-	-	-	-	-	-	-	-	-	8,533,446	8,533,446	1,793,694	10,327,140
Other comprehensive income (loss) for the year	-	-	-	-	-	-	34,063	(58,053)	4,611,751	-	4,587,761	5,895,253	10,483,014
Total comprehensive income (loss) for the year	-	-	-	-	-	-	34,063	(58,053)	4,611,751	8,533,446	13,121,207	7,688,947	20,810,154
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	(5,371,523)	(5,371,523)	-	(5,371,523)
Transfer to statutory reserve	-	-	904,059	-	-	-	-	-	-	(904,059)	-	-	-
Sale of treasury shares	-	-	-	-	60,248	(22,991)	-	-	-	-	37,257	-	37,257
Ownership change in subsidiary	-	-	-	-	-	-	(28,920)	-	-	-	(28,920)	28,920	-
At 31 December 2015	118,797,442	15,550,698	19,320,503	2,582,767	(14,478,743)	491,325	152,073	20,781	5,021,965	58,493,894	205,952,705	45,152,223	251,104,928

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the year		**10,414,901**	10,327,140
Adjustments for:			
Depreciation	10	**4,518,684**	4,323,006
Gain on disposal of investment properties		**-**	(204,040)
Valuation gain on investment properties	9	**(7,517,473)**	(4,617,110)
Gain on disposal of properties held for trading		**(43,817)**	(190,399)
Gain on partial disposal of investment in an associate		**-**	(201,120)
Gain on disposal of property and equipment		**(6,007)**	(110,664)
Gain on disposal of investment in subsidiary		**-**	(93,559)
Gain on disposal of available for sale investments	18	**(7,517)**	(99,797)
Provision for maintenance on leasehold properties		**415,000**	264,000
Write down of properties held for trading	6	**7,308**	5,788
Dividend income	18	**(120,434)**	(66,128)
Net impairment of accounts receivable and other assets	5	**246,000**	100,000
Interest income		**(328,536)**	(426,024)
Finance costs		**11,813,254**	11,085,198
Share of results of associates	8	**505,551**	1,592,557
Foreign exchange gain		**(4,297,122)**	(677,346)
End of service benefit charge for the year		**320,479**	168,103
		15,920,271	21,179,605
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other assets		**(14,421,554)**	3,095,826
Properties held for trading		**10,590,579**	(6,899,694)
Accounts payable, accruals and other payables		**1,619,411**	(6,282,711)
End of service benefit paid		**(234,064)**	(247,556)
Net cash from operating activities		**13,474,643**	10,845,470
INVESTING ACTIVITIES			
Purchase of available for sale investments		**-**	(2,220,254)
Additions to investment in associates		**-**	(3,170,103)
Capital contribution in investment in an associate	8	**(3,163,022)**	(7,175,524)
Additions to lands for development	9	**(816,134)**	(1,699,505)
Additions to developed properties	9	**(7,329,350)**	(2,479,846)
Payments for properties under construction	9	**(123,992)**	(16,413,665)
Purchase of property and equipment	10	**(1,931,602)**	(5,167,712)
Proceed from disposal of property and equipment		**9,503**	596,533
Proceed from disposal of investment in subsidiary		**-**	3,648,288
Proceeds from partial disposal of investment in an associate		**-**	390,000
Proceeds from disposal of properties held for trading		**194,542**	1,133,928
Interest received		**90,725**	-
Dividend from an associate	8	**324,900**	734,325
Dividend income received		**116,842**	42,680
Proceeds from disposal of investment properties		**-**	2,671,200
Net cash used in investing activities		**(12,627,588)**	(29,109,655)
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		**45,020,561**	91,485,781
Repayment of interest bearing loans and borrowings		**(22,260,914)**	(60,417,296)
Proceeds from sale of treasury shares		**-**	37,257
Dividend paid	22	**(5,371,523)**	(5,371,523)
Share in capital increase of a subsidiary		**-**	28,920
Finance costs paid		**(11,813,255)**	(11,085,198)
Net cash from financing activities		**5,574,869**	14,677,941
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,421,924**	(3,586,244)
Foreign currency translation adjustments		**(10,674,565)**	15,191,276
Cash and cash equivalents at the beginning of the year		**10,349,094**	(1,255,938)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**6,096,449**	10,349,094

The attached notes 1 to 28 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

United Real Estate Company ("URC") S.A.K.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 Kuwait Stock Exchange. 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 Kuwait Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue by the Board of Directors of the Parent Company on 7 March 2017, 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 new Companies Law No. 1 of 2016 was issued on 24 January 2016 and it was published in the Official Gazette on 1 February 2016, which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

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

Basis of preparation
The consolidated financial statements of the Group have been prepared on the historical cost basis, except for certain available for sale investments and investment properties 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

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").

Changes in accounting policies and disclosures
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 January 2016, which did not result in any material impact on the accounting policies, financial position or performance of the Group:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012-2014 Cycle

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of income and other comprehensive income. These amendments do not have any impact on the consolidated financial statements of the Group.

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

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

Amendments to IAS 7 Statement of Cash Flows
The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017. The Group is currently evaluating the impact.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group 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

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 (OCI) 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 profit or loss. Any investment retained is recognised at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The principal subsidiaries of the Group are as follows:

Name of company	*Equity interest as at 31 December 2016*	*2015*	*Country of incorporation*	*Principal business*
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)	**96.8%**	96.8%	Kuwait	Facilities management
United Facility Development Company K.S.C. (Closed)	**63.5%**	63.5%	Kuwait	Real estate development
Mena Homes Real Estate Company K.S.C. (Closed)	**77%**	77%	Kuwait	Real estate development
United Building Company Egypt, S.A.E.	**100%**	100%	Egypt	Real estate development
United Real Estate Investment Company S.A.E.	**100%**	100%	Egypt	Investment company
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.	**70%**	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	Real estate development
Al Reef Real Estate Company S.A.O.(Closed)	**100%**	100%	Oman	Real estate development
Al Dhiyafa Holding Company K.S.C. (Closed)	**81.07%**	81.07%	Kuwait	Real estate development
Universal United Real Estate W.L.L.	**63%**	63%	Kuwait	Real estate development
Greenwich Quay Limited	**100%**	100%	UK	Real estate development
Held through United Real Estate Investment Company S.A.E.				
United Ritaj for Touristic investment S.A.E. (Closed)	**100%**	100%	Egypt	Touristic development
Manazel United Real Estate Company S.A.E.	**91.49%**	91.49%	Egypt	Real estate development
Aswar United Real Estate Company S.A.E.	**100%**	100%	Egypt	Real estate development
Held through Al Dhiyafa Holding Company K.S.C. (Closed)				
Al Dhiyafa – Lebanon SAL (Holding Company)	**100%**	100%	Lebanon	Real estate development
Gulf Egypt Hotels and Tourism S.A.E.**	**85.9%**	85.9%	Egypt	Real estate development
Bhamdoun United Real Estate Company SAL *	**75%**	75%	Lebanon	Hotel management
Raouche Holding SAL *	**55%**	55%	Lebanon	Real estate development
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.	**60%**	60%	Jordan	Real estate development
Held through United Facilities Management Company S.A.K.				
United Facilities Management L.L.C.	**100%**	-	Oman	Facilities management
UFM for Cleaning and Technical Services L.L.T.	**100%**	-	UAE	Technical Services and Cleaning
UFM Facilities Management Services L.L.C.	**100%**	-	UAE	Services Facilities
ABM1 Building Maintenance L.L.C.	**100%**	-	UAE	Buildings Service and management

* 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).

** The Parent Company holds directly 14.1% in Gulf Egypt Hotels and Tourism S.A.E.

2 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 Group elects whether to measure 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 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 an asset or liability that is a financial instrument and within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* is measured at fair value with changes in fair value recognised either in the consolidated income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the 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
Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as "loans and receivables" and "available for sale investments". The Group determines the appropriate classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs.

Regular way purchases or sales of financial assets are recognised using trade date accounting.

The Group's financial assets include cash in hand and at Banks, accounts receivables and available for sale investments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate (EIR) method, less impairment losses, if any. Amortised cost is calculated by taking into account any discount or premium arising on acquisition and fees or costs that are an integral part of the EIR method. The EIR method amortisation is included in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement.

"Bank deposits" and "accounts receivable" are classified as loans and receivables.

Available for sale investments
Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables. After initial recognition at cost including transaction costs associated with the acquisition, financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Changes in fair value of available for sale investments are reported as a separate component of other comprehensive income until the investment is derecognised or the investment is determined to be impaired, at which time, the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated income statement.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include "accounts payable", "interest bearing loans and borrowings" and "bonds".

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Interest bearing loans and borrowings
After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using EIR method. Gain and losses are recognised in consolidated income statement when the liabilities are derecognised as well as through effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of EIR. The EIR amortisation is included as finance costs in consolidated income statement.

Bonds
Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated income statement over the life of the bonds using the effective interest rate method.

Interest is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its 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.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and net amount is reported in the consolidated statement of financial position when the Group has currently legal enforceable legal right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available for sale investments
For available for sale investments, the Group assess at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' against the period in which fair value has been below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated income statement is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses in equity investments are not reversed through consolidated income statement; increase in their fair value after impairment is recognised directly in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values measurement
The Group measures financial instruments, such as, available for sale investment, and non-financial assets such as investment properties, 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 and non-financial assets and further details as to how they are measured are provided in Note 26 and Note 9 respectively.

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

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

For 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.

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 financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

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

For assets and liabilities that are recognised in the 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.

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.

Cash and cash equivalents
Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
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. Freehold land is not depreciated.

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

Building	20 - 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.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

With respect to its national employees, the Parent Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Parent Company'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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:

- Rental income from operating leases recognised except for contingent rental income which is recognised when it arises. 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 income is recognised when rooms are occupied and services have been rendered.
- A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.
- Interest income is recognised as it accrues using the EIR.
- Dividend income is recognised when the right to receive payment is established.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency
The consolidated financial statements are presented in Kuwaiti Dinars which is also the functional 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.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

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.

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:

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (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, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases, which requires considerable judgement.

Impairment of investments
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

The Group based its assumptions and estimation parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however may change due to market changes or circumstances. Such changes are reflected in the assumptions when they occur.

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
Fair value of investment properties have been assessed by independent real estate appraisers. Two main methods were used to determine the fair value of property interests in investment properties; (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.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2011 and, to a lesser extent, into 2012. Therefore, in arriving at their estimates of market values as at 31 December 2015 and 31 December 2016, valuers used their market knowledge and professional judgment and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment properties than would exist in a more active market.

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 are stated in note 9.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

3 MATERIAL PARTLY-OWNED SUBSIDIARIES

The Group has concluded that United Real Estate Company P.S.C. ("URC-Jordan") and Al Dhiyafa Holding Company K.S.C. (Closed) ("Al-Dhiyafa") are the only subsidiaries with non-controlling interests that are material to the Group. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2016	*2015*
	KD	*KD*
URC-Jordan	**27,338,643**	26,856,103
Al-Dhiyafa	**9,200,538**	9,010,190

Profit (Loss) allocated to material non-controlling interests:

	2016	*2015*
	KD	*KD*
URC-Jordan	**480,598**	(170,667)
Al-Dhiyafa	**1,148,605**	(136,480)

The summarised financial information of these subsidiaries is provided below.

3 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarised income statement for the year ended 31 December:

	2016		*2015*	
	URC-Jordan KD	*Al-Dhiyafa KD*	*URC-Jordan KD*	*Al-Dhiyafa KD*
Income	**4,571,760**	**23,473,627**	36,868	17,386,586
Expenses	**(4,620,785)**	**(16,751,930)**	(3,415,060)	(16,790,749)
Net (loss) income for the year	**(49,025)**	**6,721,697**	(3,378,192)	595,837
Total comprehensive (loss) income	**(2,268,887)**	**4,052,705**	(5,884,962)	2,832,491
Attributable to non-controlling interests	**480,598**	**1,148,605**	(170,667)	(136,480)

Summarised statement of financial position as at 31 December:

	2016		*2015*	
	URC-Jordan KD	*Al-Dhiyafa KD*	*URC-Jordan KD*	*Al-Dhiyafa KD*
Non- current assets	**135,282,645**	**70,092,922**	125,799,296	68,857,047
Current assets	**5,991,713**	**42,780,969**	4,617,672	42,321,291
Non - current liabilities	**(20,100,230)**	**(22,236,254)**	(12,349,801)	(33,900,492)
Current liabilities	**(6,282,277)**	**(26,187,563)**	(6,963,240)	(17,182,503)
Total equity	**114,891,851**	**64,450,074**	111,103,927	60,095,343
Attributable to:				
Equity holders of the Parent Company	**87,553,208**	**55,249,536**	84,247,824	51,085,153
Non-controlling interests	**27,338,643**	**9,200,538**	26,856,103	9,010,190

Summarised cash flow information for year ended 31 December:

	2016		*2015*	
	URC-Jordan KD	*Al-Dhiyafa KD*	*URC-Jordan KD*	*Al-Dhiyafa KD*
Operating	**(2,219,749)**	**7,323,238**	1,627,989	4,705,820
Investing	**(13,154,777)**	**(2,759,402)**	(21,076,047)	(975,538)
Financing	**16,326,272**	**(6,053,316)**	18,415,403	(2,959,440)
Net increase (decrease) in cash and cash equivalents	**951,746**	**(1,489,480)**	(1,032,655)	770,842

4 CASH AND SHORT TERM DEPOSITS

	2016 KD	*2015 KD*
Cash at banks and on hand	**16,990,768**	14,466,408
Short term deposits	**835,489**	1,584,661
Cash, bank balances and short term deposits	**17,826,257**	16,051,069
Less: Bank overdraft (Note 12)	**(11,729,808)**	(5,701,975)
Cash and cash equivalents for the purpose of statement of cash flows	**6,096,449**	10,349,094

4 CASH AND SHORT TERM DEPOSITS (continued)

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

Cash and short term deposits amounting to KD 6,070,527 (2015: KD 6,199,894) are placed with related parties (Note 23).

5 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

	2016	*2015*
	KD	*KD*
Accrued rental and hospitality income	**779,959**	645,006
Due from related parties (Note 23)	**7,643,842**	4,362,014
Prepayments	**638,466**	726,256
Other receivables	**27,542,816**	16,191,939
	36,605,083	21,925,215
Provision for impairment	**(2,297,855)**	(2,051,855)
	34,307,228	19,873,360

As at 31 December 2016, accrued rental income and other receivables at a nominal value of KD 2,297,855 (2015: KD 2,051,855) were impaired and fully provided for.

Movement in the provision for impairment of receivables was as follows:

	2016	*2015*
	KD	*KD*
As at 1 January	**2,051,855**	1,951,855
Provided during the year	**246,000**	100,000
As at 31 December	**2,297,855**	2,051,855

6 PROPERTIES HELD FOR TRADING

	2016	*2015*
	KD	*KD*
As at 1 January	**64,855,667**	58,849,241
Addition during the year	**4,440,493**	7,006,004
Disposals	**(150,725)**	(943,529)
Write down	**(7,308)**	(5,788)
Foreign exchange difference	**(15,023,764)**	(50,261)
As at 31 December	**54,114,363**	64,855,667

The total capitalised finance costs included in the carrying value of properties held for trading (under construction) is KD 3,357,816 (2015: KD 3,074,592). The rate used to determine the amount of borrowing costs eligible for capitalization was 5.86% (2015: 5.94%)

7 AVAILABLE FOR SALE INVESTMENTS

	2016 *KD*	*2015* *KD*
Quoted equity shares	**545,013**	484,906
Unquoted equity shares	**6,782,319**	10,675,521
Unquoted debt securities	**7,351,003**	7,387,261
	14,678,335	18,547,688

Unquoted equity shares amounting to KD 4,645,540 (2015: KD 7,178,164) and unquoted debt securities are carried at cost, less impairment, if any, due to the non-availability of reliable measures of their fair values. Management has performed a review of its available for sale investments to assess whether impairment has occurred in the value of these investments and has not recorded any impairment loss in the consolidated income statement for the years ended 31 December 2016 and 31 December 2015. Based on the latest available financial information, management is of the view that no impairment loss is required as at 31 December 2016 (2015: nil) in respect of equity investments.

Investments with aggregate carrying amounts of KD 13,215,813 (2015: KD 17,049,283) represent investments in related parties (Note 23). Investments with aggregate carrying amounts of KD 1,565,575 (2015: KD 1,495,404), are managed by a related party (Note 23).

8 INVESTMENT IN ASSOCIATES

Name of company	*Country of Incorporation*	*Equity interest*		*Carrying value*	
		2016	*2015*	***2016*** ***KD***	*2015* *KD*
Kuwait Hotels Company K.S.C.(a)	Kuwait	**27.26%**	27.26%	**1,646,304**	1,643,667
Dar SSH International Engineering Consultants Co. W.L.L.	Kuwait	**22.50%**	22.50%	**1,280,535**	1,582,393
Abdali Boulevard Company P.S.C. ("Abdali")	Jordan	**40.00%**	40.00%	**39,951,788**	38,868,823
Al Thaniya Real Estate Company P.S.C.	Jordan	**50.00%**	-	**8,818**	-
Al-Fujeira Real Estate Limited ("Fujaira")	United Arab Emirates	**50.00%**	50.00%	**8,344,777**	7,941,276
United Towers Holding Company K.S.C. (Closed) ("UTHC")	Kuwait	**39.16%**	35.11%	**24,395,770**	22,581,049
Ikarus United for Marine Services Company S.A.K. (Closed)	Kuwait	**20.00%**	20.00%	**142,711**	200,000
Assoufid B.V.	Netherlands	**49.00%**	49.00%	**3,009,594**	2,583,047
				78,780,297	75,400,255

(a) Quoted on Kuwait Stock Exchange, with a market value of KD 4,171,343 (2015: KD 3,463,002)

8 INVESTMENT IN ASSOCIATES (continued)

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

	2016 ***KD***	*2015* *KD*
At the beginning of the year	**75,400,255**	66,581,412
Additions/capital contributions during the year	**3,163,022**	10,345,627
Share of results	**(505,551)**	(1,592,557)
Foreign exchange differences	**1,047,471**	988,978
Disposal during the year	**-**	(188,880)
Dividend received	**(324,900)**	(734,325)
At 31 December	**78,780,297**	75,400,255

8 INVESTMENT IN ASSOCIATES (continued)

The following table provides summarised financial information of the Group's investment in associates:

	Fujaira		Abdali Boulevard		UTHC		Others	
	2016	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Non-current assets	**15,541,372**	15,423,466	**155,543,293**	154,384,050	**115,409,968**	119,212,641	**45,177,984**	44,796,332
Current assets	**2,054,606**	1,354,578	**4,724,456**	3,952,729	**2,694,888**	2,393,082	**23,909,026**	19,671,157
Non-current liabilities	**(173,457)**	(173,063)	**(42,152,079)**	(41,099,028)	**(401,669)**	(342,285)	**(37,733,713)**	(35,744,467)
Current liabilities	**(732,967)**	(722,430)	**(18,236,199)**	(20,065,694)	**(55,413,004)**	(56,948,289)	**(15,972,808)**	(11,105,984)
Equity	**16,689,553**	15,882,551	**99,879,471**	97,172,057	**62,290,184**	64,315,149	**15,380,489**	17,617,038
Proportion of the Group's ownership	**50%**	50%	**40%**	40%	**39.165%**	35.11%		
Group's share in the net assets	**8,344,777**	7,941,276	**39,951,788**	38,868,823	**24,395,770**	22,581,049	**6,087,962**	6,009,107
Revenues	**1,269,622**	2,356,887	**4,929,367**	687,100	**6,021,623**	5,894,610	**42,962,395**	39,302,271
Profit (loss) for the year	**670,204**	1,751,913	**(3,086,047)**	(7,436,906)	**(25,245)**	1,325,309	**873,691**	1,257,067
Total comprehensive income (loss) for the year	**670,204**	1,751,913	**(3,086,047)**	(7,436,906)	**(25,245)**	1,325,309	**873,691**	1,257,067
Group's share in profit (loss) for the year	**335,102**	875,957	**(1,234,419)**	(2,974,762)	**(9,887)**	465,316	**403,653**	40,932

9 INVESTMENT PROPERTIES

	2016 KD	2015 KD
Lands for development (a)	**69,963,716**	63,840,361
Investment properties under construction (b)	**11,115,669**	95,223,076
Developed properties (c)	**205,870,778**	113,196,030
	286,950,163	272,259,467

Valuation of lands for development, investment properties under construction and developed properties were conducted as at 31 December 2016 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.

a) Lands for development

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

	2016 KD	2015 KD
As at 1 January	**63,840,361**	60,753,762
Additions	**816,134**	1,699,505
Valuation gain	**6,774,609**	1,445,734
Foreign exchange differences	**(1,467,388)**	(58,640)
As at 31 December	**69,963,716**	63,840,361

Lands for development includes a land in Sharm El Sheikh, Egypt amounting to KD 10,678,652 (2015: KD 13,994,260) 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

	2016 KD	2015 KD
As at 1 January	**95,223,076**	72,406,273
Capital expenditure	**123,992**	16,413,665
Transfer to developed properties	**(83,950,459)**	-
Foreign exchange differences	**(279,948)**	-
Valuation (loss) gain	**(992)**	6,403,138
As at 31 December	**11,115,669**	95,223,076

9 INVESTMENT PROPERTIES (continued)

c) Developed properties

	2016 *KD*	*2015* *KD*
Developed land and buildings:		
Developed land and buildings	**113,697,143**	18,528,100
Buildings constructed on land leased from the Government	**92,173,635**	94,667,930
	205,870,778	113,196,030

The lease periods for the plots of land leased from the Government of Kuwait and others range from less than 1 year to 50 years.

The movement during the year was as follows:

	2016 *KD*	*2015* *KD*
As at 1 January	**113,196,030**	124,137,830
Additions	**7,329,350**	2,479,846
Transfer from properties under construction	**83,950,459**	-
Disposals	**-**	(3,599,000)
Disposal on derecognition of investment in subsidiary	**-**	(6,556,000)
Valuation gain (loss)	**743,856**	(3,231,762)
Foreign exchange differences	**651,083**	(34,884)
As at 31 December	**205,870,778**	113,196,030

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:

2016	***Office*** ***KD***	***Retail outlets*** ***KD***	***Total*** ***KD***
Opening balance	-	**272,259,467**	**272,259,467**
Additions/capital expenditures	-	**8,269,476**	**8,269,476**
Valuation gain	-	**7,517,473**	**7,517,473**
Foreign exchange differences	-	**(1,096,253)**	**(1,096,253)**
Closing balance	-	**286,950,163**	**286,950,163**

2015	*Office* *KD*	*Retail outlets* *KD*	*Total* *KD*
Opening balance	10,155,000	247,142,865	257,297,865
Additions/capital expenditures	-	20,593,016	20,593,016
Disposals	(10,155,000)	-	(10,155,000)
Valuation gain	-	4,617,110	4,617,110
Foreign exchange differences	-	(93,524)	(93,524)
Closing balance	-	272,259,467	272,259,467

9 INVESTMENT PROPERTIES (continued)

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

	Offices		*Retail outlets*	
	2016	*2015*	***2016***	*2015*
	%	*%*	*%*	*%*
Average net initial yield	-	-	**9.25**	9.75
Average reversionary yield	-	-	**10.75**	11.00
Average inflation rate	-	-	**3.25**	3.00
Long-term vacancy rate	-	-	**10.00**	10.00
Long-term growth in real rental rates	-	-	**3.00**	3.00

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			
		2016		*2015*	
Significant unobservable inputs	***Sensitivity***	***Offices***	***Retail outlets***	*Offices*	*Retail outlets*
		KD	***KD***	*KD*	*KD*
Average net initial yield	+/- 1%	- -	**2,046,960** **(1,973,960)**	- -	3,849,560 (3,354,890)
Average reversionary yield	+/- 1%	- -	**3,908,160** **(3,381,772)**	- -	5,680,343 (4,989,165)
Average inflation rate	+/- 25 basis points	- -	**1,930,757** **(1,587,302)**	- -	2,430,544 (1,890,356)
Long-term vacancy rate	+/- 1%	- -	**2,039,558** **(2,009,569)**	- -	2,638,700 (2,369,765)
Long-term growth in real rental rates	+/- 1%	- -	**1,975,038** **(2,144,766)**	- -	2,630,476 (2,960,765)

10 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	*Tools and equipment KD*	*Computer hardware and software KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Working under progress KD*	*Total KD*
Cost:								
As at 1 January 2016	10,634,721	81,634,141	9,592,951	2,849,022	5,954,397	673,004	1,314,850	112,653,086
Additions	-	283,428	493,161	149,633	461,983	110,721	432,676	1,931,602
Disposal	-	-	(884)	(671)	(26,047)	(13,690)	-	(41,292)
As at 31 December 2016	10,634,721	81,917,569	10,085,228	2,997,984	6,390,333	770,035	1,747,526	114,543,396
Depreciation:								
As at 1 January 2016	-	(13,664,359)	(4,939,103)	(2,744,992)	(4,042,716)	(382,792)	-	(25,773,962)
Charge for the year	-	(2,136,809)	(899,351)	(209,491)	(1,250,090)	(22,943)	-	(4,518,684)
Disposal	-	-	775	591	22,740	13,690	-	37,796
As at 31 December 2016	-	(15,801,168)	(5,837,679)	(2,953,892)	(5,270,066)	(392,045)	-	(30,254,850)
Net carrying amount								
As at 31 December 2016	**10,634,721**	**66,116,401**	**4,247,549**	**44,092**	**1,120,267**	**377,990**	**1,747,526**	**84,288,546**

Depreciation charge amounting to KD 4,168,355 (2015: KD 3,994,305) has been allocated to cost of revenue.

10 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*	*Working under progress KD*	*Total KD*
Cost:								
As at 1 January 2015	8,688,634	81,293,140	10,050,138	2,575,263	7,795,380	470,782	-	110,873,337
Additions	1,946,087	341,001	272,000	273,759	301,576	718,439	1,314,850	5,167,712
Disposal	-	-	(729,187)	-	(2,142,559)	(516,217)	-	(3,387,963)
As at 31 December 2015	10,634,721	81,634,141	9,592,951	2,849,022	5,954,397	673,004	1,314,850	112,653,086
Depreciation:								
As at 1 January 2015	-	(12,514,019)	(4,498,178)	(2,450,412)	(4,603,937)	(286,504)	-	(24,353,050)
Charge for the year	-	(1,150,340)	(1,170,112)	(294,580)	(1,579,713)	(128,261)	-	(4,323,006)
Disposal	-	-	729,187	-	2,140,934	31,973	-	2,902,094
As at 31 December 2015	-	(13,664,359)	(4,939,103)	(2,744,992)	(4,042,716)	(382,792)	-	(25,773,962)
Net carrying amount								
As at 31 December 2015	10,634,721	67,969,782	4,653,848	104,030	1,911,681	290,212	1,314,850	86,879,124

11 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	2016 *KD*	*2015* *KD*
Rent received in advance	**1,038,880**	4,018,244
Accounts payable	**44,307,086**	41,279,632
Refundable deposits	**7,418,998**	5,695,085
Due to related parties (Note 23)	**302,095**	454,687
	53,067,059	51,447,648

12 INTEREST BEARING LOANS AND BORROWINGS

	2016 *KD*	*2015* *KD*
Loans	**192,714,200**	174,251,676
Bank overdrafts	**11,729,808**	5,701,975
	204,444,008	179,953,651

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

	Current portion *KD*	*Non-current portion* *KD*	*Total 2016* *KD*	*Total 2015* *KD*
Bank overdrafts (Note 4)	11,729,808	-	**11,729,808**	5,701,975
Short term loans	37,397,908	-	**37,397,908**	38,427,232
Term loans	23,605,339	131,710,953	**155,316,292**	135,824,444
	72,733,055	131,710,953	**204,444,008**	179,953,651

Term loans are obtained for varying periods ranging from one year to ten years, and carry interest rates ranging from 4.00% to 16.85% (2015: 3.5% to 11.35%).

As at 31 December 2016, the Group has short term loans and overdrafts amounting to KD 49,127,716 (31 December 2015: KD 44,129,208) which are renewable on a yearly basis.

Interest bearing loans and borrowings amounting to KD 37,763,501 (2015: KD 17,140,816) 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 2016* *KD*	*Total 2015* *KD*
US Dollars	5,989,667	42,443,876	**48,433,543**	48,238,918
Omani Riyal	1,605,672	5,757,905	**7,363,577**	8,973,160
British Pound	-	1,446,059	**1,446,059**	1,737,395
Kuwaiti Dinars	65,137,716	82,063,113	**147,200,829**	121,004,178
	72,733,055	131,710,953	**204,444,008**	179,953,651

12 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Included in interest bearing loans are loans amounting to KD 60,818,344(2015: KD 58,949,473) which are obtained and availed by subsidiaries in the Group.

13 BONDS

	2016 *KD*	*2015* *KD*
On 24 June 2013, 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 24 June 2018, carrying interest at a fixed rate of 5.75% per annum payable quarterly in arrears.	**36,450,000**	36,450,000
• Due on 24 June 2018, carrying interest at a variable rate of 3.25% over the Central Bank of Kuwait discount rate payable quarterly in arrears.	**23,550,000**	23,550,000
	60,000,000	60,000,000

14 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2016, the Parent Company's authorised, issued and fully paid share capital consists of 1,187,974,420 shares of 100 fils each (2015: 1,187,974,420 shares of 100 fils each) which is fully paid in cash.

The share premium is not available for distribution.

15 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and directors' remuneration has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by law.

16 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 contribution to KFAS, NLST, Zakat 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.

17 TREASURY SHARES

	2016	*2015*
Number of treasury shares	**113,669,873**	113,669,873
Percentage to issued shares	**9.568%**	9.568%
Market value in KD	**10,684,968**	10,798,638
Cost in KD	**14,478,743**	14,478,743
Market Value for the weighted average number of shares in KD	**10,706,354**	10,802,341

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.

18 INVESTMENT INCOME

	2016 *KD*	*2015* *KD*
Dividend income	**120,434**	66,128
Gain on sale of available for sale investment	**7,517**	99,797
	127,951	165,925

19 GENERAL AND ADMINISTRATIVE EXPENSES

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

	2016 *KD*	*2015* *KD*
Wages and salaries	**4,092,986**	3,967,175
Post-employment benefits	**645,604**	607,583
	4,738,590	4,574,758

Wages, salaries and post-employment benefits charged to cost of revenue is amounting to KD 8,245,186 (2015: KD 6,385,479).

20 TAXATION

	2016 *KD*	*2015* *KD*
Contribution to KFAS	**107,329**	100,722
NLST	**307,161**	226,015
Zakat	**122,864**	90,406
Taxation on overseas subsidiaries		
Current tax	**11,091**	21,220
Deferred tax	**2,955,836**	1,235,561
	3,504,281	1,673,924

The tax rate applicable to the taxable overseas subsidiary companies is in the range of 10% to 25% (2015: 10% to 20%). 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.

Deferred tax relates to the following:

	2016 *KD*	*2015* *KD*
Revaluation of investment properties to fair value	**(11,059,555)**	(8,507,802)
Deferred tax – relating to origination and reversal of temporary differences	**(4,597,786)**	(2,865,097)
Deferred tax liabilities	**(15,657,341)**	(11,372,899)

Reconciliation of deferred tax liabilities:

	2016 *KD*	*2015* *KD*
As at 1 January	**(11,372,899)**	(10,137,338)
Expense for the year	**(2,955,836)**	(1,235,561)
Foreign exchange differences	**(1,328,606)**	-
As at 31 December	**(15,657,341)**	(11,372,899)

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Parent Company 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 the conversion of all employees stock options. The Parent Company has outstanding share options, issued under the employee stock options plan, which have a dilutive effect on earnings.

Basic earnings per share

	2016	*2015*
	KD	*KD*
Earnings:		
Profit for the year attributable to the equity holders of the Parent Company	**8,708,237**	8,533,446
	Shares	*Shares*
Number of shares outstanding:		
Weighted average number of paid up shares	**1,187,974,420**	1,187,974,420
Less: Weighted average number of treasury shares	**(113,669,873)**	(113,708,857)
Weighted average number of shares outstanding for basic earnings per share	**1,074,304,547**	1,074,265,563
Basic earnings per share attributable to equity holders of the Parent Company	**8.1 fils**	7.9 fils

Dilutive earnings per share

	2016	*2015*
	KD	*KD*
Earnings:		
Profit for the year attributable to the equity holders of the Parent Company	**8,708,237**	8,533,446
Number of shares outstanding	***Shares***	*Shares*
Weighted average number of shares outstanding for basic earnings per share	**1,074,304,547**	1,074,265,563
Effect of share options	**12,000**	120,614
Weighted average number of shares outstanding for diluted earnings per share	**1,074,316,547**	1,074,386,177
Diluted earnings per share attributable to equity holders of the Parent Company	**8.1 fils**	7.9 fils

22 DIVIDEND

During the board meeting held on 7 March 2017, the Board of Directors of the Parent Company recommended 5% cash dividends for the year ended 31 December 2016. This proposal is subject to the approval by the Shareholders' Annual General Assembly.

The shareholders' annual general assembly held on 7 April 2016 approved the audited consolidated financial statements of the Group for the year ended 31 December 2015. The shareholders' annual general assembly and the regulatory authorities approved distribution of 5% cash dividend for the year ended 31 December 2015 amounting to KD 5,371,523 (31 December 2014: 5% cash dividend KD 5,371,523).

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*	***2016 KD***	*2015 KD*
Consolidated statement of financial position					
Cash and short term deposits (Note 4)	-	-	6,070,527	**6,070,527**	6,199,894
Accounts receivable, prepayments and other assets (Note 5)	127,441	2,853,452	4,662,949	**7,643,842**	4,362,014
Available for sale investments (Note 7)	-	-	13,215,813	**13,215,813**	17,049,283
Accounts payable, accruals and other payables (Note 11)	-	121,262	180,833	**302,095**	454,687
Interest bearing loans and borrowings (Note 12)	-	-	37,763,501	**37,763,501**	17,140,816
Consolidated income statement					
General and administrative expenses	-	191,104	228,783	**419,887**	426,355
Finance costs	58,630	-	860,452	**919,082**	775,460
Rental income	-	2,400	-	**2,400**	2,400
Dividend income	-	-	80,539	**80,539**	26,981
Interest income	-	218,646	-	**218,646**	258,737
Other operating revenue	-	333,809	-	**333,809**	285,429
Contracting and services revenue	-	1,021,002	-	**1,021,002**	1,002,958
Gain on sale of subsidiary					93,559
Gain on disposal of investment property	-	-	-	-	204,040
Gain on sale of associate	-	-	-	-	201,120

Certain available for sale investments with carrying value of KD 1,565,575 (2015: KD 1,495,404) are managed by a related party (Note 7).

Other transactions

	Other related parties 2016 KD	*2015 KD*
Sale of subsidiary	-	3,648,288
Sale of investment property	-	3,803,040
Partial sale of an associate	-	390,000
Purchase of an associate	-	3,050,539

23 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	2016 *KD*	*2015* *KD*
Salaries and short-term employee benefits	**575,149**	414,955
End of service benefits	**70,683**	9,600
	645,832	424,555

24 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

At 31 December 2016 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 9,444,620 (31 December 2015: KD 9,642,240).

Capital commitments

The Group has capital commitments in respect of the following:

- The Group has agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property under construction amounting to KD 1,729,490 (31 December 2015: KD 1,658,273) and in respect of property held for trading amounting to KD 5,643,486 (31 December 2015: KD 472,351).
- Uncalled capital in investments in associate amounting to KD Nil (31 December 2015: KD 4,481,497)

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:

	2016 *KD*	*2015* *KD*
Within one year	**23,800,901**	23,612,828
After one year but not more than three years	**45,332,535**	47,225,656
	69,133,436	70,838,484

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:

	2016 *KD*	*2015* *KD*
Within one year	**1,669,130**	1,481,951
After one year but not more than three years	**1,985,037**	2,963,901
	3,654,167	4,445,852

25 SEGMENT INFORMATION

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, Fairmount 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:

31 December 2016

	Rental operations KD	*Hospitality operations KD*	*Property trading KD*	*Contracting and services KD*	*Real estate development KD*	*Total KD*
Segment revenues	23,543,374	20,238,161	194,542	26,759,922	-	**70,735,999**
Segment results	1,502,939	4,223,101	83,273	943,564	6,794,814	**13,547,691**
Unallocated expenses						**(3,132,790)**
Profit for the year						**10,414,901**
Segment assets	305,777,846	89,167,789	56,612,101	20,507,420	71,507,698	**543,572,854**
Unallocated assets						**28,136,646**
Total assets						**571,709,500**
Segment liabilities	62,284,320	17,583,503	12,000,967	11,125,364	31,314,682	**134,308,836**
Unallocated liabilities						**198,859,572**
Total liabilities						**333,168,408**
Other segmental information:						
Valuation gain on investment properties	743,856	-	-	-	6,773,617	**7,517,473**
Share of results of associates	(530,916)	2,637	-	-	22,728	**(505,551)**
Investment in associates	75,844,640	1,646,304	-	-	1,289,353	**78,780,297**

25 SEGMENT INFORMATION (continued)

31 December 2015

	Rental operations KD	*Hospitality operations* KD	*Property trading* KD	*Contracting and services* KD	*Real estate development* KD	*Total* KD
Segment revenues	25,568,915	21,584,005	1,133,928	12,257,484	-	60,544,332
Segment results	16,895,909	3,377,635	190,574	(693,614)	1,489,487	21,259,991
Unallocated expenses						(10,932,851)
Profit for the year						10,327,140
Segment assets	287,385,063	90,324,337	66,582,578	8,461,317	64,431,795	517,185,090
Unallocated assets						36,694,036
Total assets						553,879,126
Segment liabilities	59,438,278	24,895,447	14,029,647	5,314,024	22,745,797	126,423,193
Unallocated liabilities						176,351,005
Total liabilities						302,774,198
Other segmental information:						
Valuation gain on investment properties	3,127,623	-	-	-	1,489,487	4,617,110
Share of results of associates	(2,100,981)	62,569	-	-	445,855	(1,592,557)
Investment in associates	72,174,195	1,643,667	-	-	1,582,393	75,400,255

25 SEGMENT INFORMATION (continued)

Geographic information

Revenue

	2016	*2015*
	KD	*KD*
Kuwait	**50,950,612**	39,444,880
Egypt	**14,300,878**	15,381,259
Lebanon	**131,576**	1,285,386
UAE	**30,355**	24,983
Oman	**4,149,615**	3,933,223
Bahrain	**-**	34,544
Jordan	**637,717**	7,410
Morocco	**231,321**	187,175
Europe	**303,925**	122,959
USA	**-**	122,513
	70,735,999	60,544,332

Non-current assets

	2016	*2015*
	KD	*KD*
Kuwait	**109,689,990**	110,928,536
Egypt	**98,074,868**	92,250,669
Lebanon	**6,698,957**	6,842,056
UAE	**17,515,033**	17,352,161
Syria	**3,241,189**	3,241,193
Oman	**71,409,391**	71,640,623
Bahrain	**91,794**	102,715
Jordan	**143,994,535**	135,760,959
Morocco	**10,360,597**	9,970,307
Europe	**2,655,298**	3,089,611
KSA	**1,730,000**	1,920,200
	465,461,652	453,099,030

26 FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts except for available for sale investments carried at cost amounting to KD 11,996,543 as at 31 December 2016 (31 December 2015: KD 14,565,425).

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

2016	***Level: 1*** ***KD***	***Level: 3*** ***KD***	***Total*** ***KD***
Assets measures at fair value			
Investment properties (Note 9):	-	286,950,163	**286,950,163**
Financial assets available for sale (Note 7):			
Quoted equity shares	545,013	-	**545,013**
Unquoted equity shares	-	2,136,779	**2,136,779**
	545,013	**289,086,942**	**289,631,955**

2015	*Level: 1* *KD*	*Level: 3* *KD*	*Total* *KD*
Assets measures at fair value			
Investment properties (Note 9):	-	272,259,467	272,259,467
Financial assets available for sale (Note 7):			
Quoted equity shares	484,906	-	484,906
Unquoted equity shares	-	3,497,357	3,497,357
	484,906	275,756,824	276,241,730

Unquoted equity shares are valued based on net book value method using latest available financial statements of the investee entities, where in the underlying assets are fair valued.

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

Movement in the level 3 financial instrument is as follows.

	2016 ***KD***	*2015* *KD*
As at 1 January	**3,497,357**	3,364,311
Net purchases, (sales and settlements)	**(1,385,729)**	91,302
Gain recorded in other comprehensive income	**25,151**	41,744
As at 31 December	**2,136,779**	3,497,357

27 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 major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

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.

27.1 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.

Due to the nature of the Group's business, the Group does not take possession of collaterals.

27.1.1 Gross maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk across financial assets.

	2016	*2015*
	KD	*KD*
Bank balances and short term deposits	**17,822,910**	16,045,698
Accounts receivable and other assets	**33,668,762**	19,147,104
Available for sale investments	**7,351,003**	7,387,261
	58,842,675	42,580,063

As at 31 December 2016, the maximum credit exposure to a single counterparty amounts to KD 5,206,407 (2015: KD 5,167,007).

27 RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

27.1.1 Gross maximum exposure to credit risk (continued)

The financial assets of the Group are distributed over the following geographical regions:

Geographical regions	*2016* *KD*	*2015* *KD*
Kuwait	**41,029,444**	26,314,418
Jordan	**7,425,320**	4,639,574
Egypt	**825,330**	1,625,974
Lebanon	**348,571**	788,151
Oman	**1,290,470**	1,236,734
Europe	**83,847**	62,761
UAE	**43,281**	10,747
Syria	**86,718**	86,718
Bahrain	**232,803**	299,338
Morocco	**7,476,891**	7,515,648
	58,842,675	42,580,063

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.

27.1.2 Credit quality of financial assets that are neither past due nor impaired

The Group neither uses internal credit grading system nor external credit grades. The Group manages credit quality by ensuring that credit is granted only to known creditworthy parites.

27.1.3 Past due but not impaired

The Group does not have any past due but not impaired financial assets as at 31 December 2016 and 31 December 2015.

27.2 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 daily basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

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.

27 RISK MANAGEMENT (continued)

27.2 Liquidity risk (continued)

31 December 2016	*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*
Accounts payable, accruals and other payables	**1,348,767**	**2,697,535**	**49,020,757**	**53,067,059**	**-**	**53,067,059**
Interest bearing loans and borrowings	**820,489**	**1,640,978**	**22,971,112**	**25,432,579**	**144,302,520**	**169,735,099**
Bonds	**287,500**	**575,000**	**2,587,500**	**3,450,000**	**61,725,000**	**65,175,000**
TOTAL LIABILITIES	**2,456,756**	**4,913,513**	**74,579,369**	**81,949,638**	**206,027,520**	**287,977,158**

31 December 2015	*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*
Accounts payable, accruals and other payables	1,143,218	2,286,436	48,017,994	51,447,648	-	51,447,648
Interest bearing loans and borrowings	1,493,881	3,031,907	60,730,935	65,256,723	160,220,152	225,476,875
Bonds	-	847,781	2,543,344	3,391,125	65,086,688	68,477,813
TOTAL LIABILITIES	2,637,099	6,166,124	111,292,273	120,095,496	225,306,840	345,402,336

Interest bearing loans and borrowings includes an amount of short term loans and overdraft KD 49,127,716 (2015: KD 44,129,208). The balance is due within one year from the reporting date and is renewable on maturity.

27.3 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.

27 RISK MANAGEMENT (continued)

27.3.1 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 2016 and 31 December 2015. 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	
	2016	*2015*
	KD	*KD*
US Dollars	**(242,168)**	(241,195)
Kuwaiti Dinars	**(853,754)**	(876,836)
British Pound	**(7,230)**	(8,687)
Omani Riyal	**(36,818)**	(44,541)

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

27.3.2 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 2016 and 31 December 2015 due to 5% increase in the following market indices with all other variables held constant is as follows:

Market indices	*Effect on equity*	
	2016	*2015*
	KD	*KD*
Kuwait	**22,661**	19,110
Others	**4,590**	5,136

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.

27 RISK MANAGEMENT (continued)

27.3 Market risk (continued)

27.3.3 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*	
	2016	*2015*
	KD	*KD*
US Dollars	**(50,207)**	(500,272)
Egyptian Pounds	**1,029,589**	22,256
EURO	**104,865**	75,156
Saudi Riyal	**17,300**	-
British Pound	**15,720**	(16,619)
Bahraini Dinar	**10,521**	1,261
UAE Dirham	**186,213**	4,897
Omani Riyal	**610,672**	(124,856)
Syrian Pound	**33,279**	867
Jordanian Dinar	**1,408,665**	8,110

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

28 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. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio as per the debt covenant for their loans, which is net debt divided by net equity. The Group's policy is to keep the gearing ratio below 150%. In accordance with the debt covenants of their loans, the Group includes within net debt, interest bearing loans and borrowings and bonds, less cash and short term deposits.

	2016	*2015*
	KD	*KD*
Interest bearing loans and borrowings	**204,444,008**	179,953,651
Bonds	**60,000,000**	60,000,000
Less: Cash, bank balances and short term deposits	**(17,826,257)**	(16,051,069)
Net debt	**246,617,751**	223,902,582
Total equity	**192,445,890**	205,952,705
Gearing ratio	**128.15%**	108.72%

شركة العقارات المتحدة
United Real Estate Co

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How to obtain our 2016 Financial Statements:

Shareholders attending our General Assembly meeting will be provided with a draft printed copy of the Financial Statements for their approval. Shareholders can request a printed copy of the Financial Statements to be sent to them by courier before the advertised date of the General Assembly. Please contact URC's Marketing & Corporate Communications Department on +965 2295 3500 to arrange this.

Shareholders can request a copy of the Financial Statements to be sent to them by email seven days before the advertised date of the General Assembly. Please contact mcc@urc.com.kw to arrange this.
Shareholders can download a PDF copy of the Financial Statements seven days before the advertised date of the General Assembly from our company website www.urc.com.kw

For further information on our 2015 Financial Statements or for extra copies of this Review, please call +965 2295 3500

P.O. Box 2232, Safat 13032, Kuwait, Tel: +965 2295 3500, Fax: +965 2241 2141
www.urc.com.kw