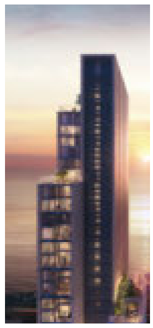
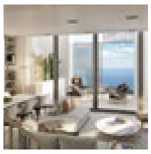




ANNUAL REPORT 2019

URC

شركة العقارات المتحدة

United Real Estate Co

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

Contents

Message from the Board

Dear Shareholders,

We are pleased to present the annual report for United Real Estate Company K.S.C.P (URC) for the financial year ended 31 December 2019.

The Company's revenues increased by 10% to reach KD 113.8 million in 2019 as compared to KD 103.5 million in 2018. Gross profits increased by 12.5% to reach KD 24.5 million in 2019 as compared to KD 21.8 million in 2018, and net loss decreased by 19.7% to reach KD 7.2 million in 2019 as compared to KD 9 million in 2018.

Total value of URC's assets increased 1% to reach KD 623 million at the end of 2019 as compared to KD 617 million at the end of 2018.

The improvement in the financial results of the Company during 2019 is primarily attributed to the increase in revenues and profits of its Subsidiaries operating in the contracting and services sector, increase in rental revenues from its commercial shopping centers, and stable revenues from its hotel properties. The Company was also successful in its cost optimization program which contributed to significant reductions in general and administrative expenses and financing costs.

Despite ongoing challenges, the Company is continuing its efforts to optimize its portfolio of assets and investments, identify future growth and expansion opportunities, diversify sources of revenue, monetize non-core assets, debt management, and targeting an efficient capital structure. These measures are aimed at enhancing the operating results of the Company and position it to provide a sustainable return to its shareholders.

Furthermore, URC achieved significant milestones in its human capital strategy. Early in the year 2020, the Company announced the appointment of its Vice Chairman of the Board of Directors, Mr. Mazen Issam Hawwa, as URC's Group Chief Executive Officer. As part of the KIPCO Group senior management team, Mr. Hawwa brings over 19 years of diverse experience in various industries which include real estate and financial services.

URC also onboarded new members to its Management Team, in Kuwait and in Egypt. With the growth in the Company's business in the contracting and services sectors, the workforce of the Company also increased significantly during the year.

During 2019, the Company's mall operations in the Kingdom of Jordan, Abdali Mall, witnessed a significant increase in its occupancy and was able to close the financial year with leased occupancy reaching 74%. As a result, the revenues from the Mall improved significantly during the year.

In the Kingdom of Morocco, the Company continued its progress on developing the infrastructure for its second phase of the 2.5 million square meters Assoufid project, a luxurious mixed-use integrated tourism and residential resort situated in the vibrant city of Marrakech. With a total expected development cost of KD 142 million, the Assoufid development comprises a multiple award-winning 18-hole high-end golf club along with several luxury residential villas. The second phase of the project will consist of an iconic five-star hotel, alongside residential components, including branded villas and high-end apartments. While the third phase of the development will introduce additional premium villas and apartments.

In 2019, the Company successfully signed an agreement with Marriott International, Inc. for the management and operation of The St. Regis Marrakech Resort in the Assoufid development. The Company has also obtained a building permit for the construction of the hotel and awarded all main works contract to one of Morocco's leading contractors, Travaux Généraux de Construction de Casablanca (TGCC). Following the rapidly unfolding outbreak of COVID-19 global pandemic, the construction of the hotel has been delayed and is expected to commence after all curfew measures are lifted in the country.

In Kuwait, URC continues its developments in Hessah AlMubarak District, which includes the residential components of Hessah Towers and Byout Hessah, and a Commercial District, with a total expected development cost of KD 250 million, of which KD 120 million has been securely financed by a leading Islamic bank in Kuwait, and in partnership with other investors from the KIPCO Group companies. Designed as a pedestrian lifestyle hub, the project features state-of-the-art developments, services, and facilities.

The Company recently signed a contract with AlGhanim International General Trading & Contracting Company for the construction of Hessah Towers. This luxury residential development generated excellent demand from its clients and over 40% of the units were sold, prior to the commencement of construction. Demand was primarily driven by the project's premium location opposite the Daiya area and on the Arabian Gulf, and the trust in the URC brand and its quality developments.

The Company's second residential project in the District, Byout Hessah, is a high-end two 12-floor residential building development offering 104 upscale two-bedroom apartments, a single one-bedroom apartment, and 40 premium four-bedroom townhouses, set amidst landscaped surroundings with unobstructed views of the Arabian Gulf and Kuwait City.

The design phase for Byout Hessah is awaiting municipal approval, and the enabling works for the project are ready to commence but pending municipal permits. The tendering and awarding for the project's main works are contingent upon the government resuming their normal operation.

The Commercial District, currently in the schematic design phase, will bring a premium lifestyle center for both residents and commuters at Hessah AlMubarak District. It encompasses the latest architectural trends in office buildings, medical polyclinics, and serviced apartments, in addition to a retail mix of selected international and local brands and complemented by an offering of exquisite food and beverage outlets.

Due to the ongoing COVID-19 global pandemic, the Company expects a challenging year ahead in some of its operational sectors, both locally and internationally. The Company has been proactively assessing the situation and has devised plans to effectively address these challenges.

The steps initiated include shoring up the liquidity of the Company through accelerated collections especially from the governmental entities and continuous engagement with our tenants and customers. These measures are supplemented by various cost-saving initiatives including ongoing discussions with our relationship banks to lower finance costs and extend debt maturities. We are confident of minimizing the financial impact on our various businesses, to the maximum possible extent, through these proactive measures.

We would like to take this opportunity to thank all our valued shareholders for their continued trust and support, and a very special thank you to our valued customers for their loyalty and trust. Also, we would like to express our sincerest appreciation and gratitude to our valued employees for their commendable effort and commitment to the organization.

Finally, we would like to express our sincerest wishes for the continued success and prosperity of our beloved country Kuwait under the wise leadership of His Highness the Amir of the State of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Crown Prince, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah.

Message from the Vice Chairman & Group CEO

Dear Shareholders,

First and foremost, I would like to thank our Board of Directors for placing their trust and confidence in my leadership abilities to assume the role of URC's Group Chief Executive Officer. It is my honor and privilege to accept this position, and I look forward to working with our valued employees across URC and its group of companies in fulfilling our customers' and stakeholders' aspirations and goals.

As I undertake this significant commitment, I will also contribute along with the Group executive management teams, to build upon the successes of the past, and to fulfill the Company's mission to reemerge as a leading developer and investor in the real estate sector. URC's mission realignment will be achieved through our strategy-focused transformation which includes enhancing the Company's development engine by ensuring timely delivery of our development projects, focusing on our customers by providing them with the best suitable quality products, protecting our shareholders interest, and investing in added value projects to our wider communities.

Internally, we will build a corporate culture that embraces diversity and inclusion, supports a team-based and collaboration approach, fosters communication, and builds a lasting stakeholder relationship. This approach will be supported through the enhancement of URC's human capital needs by onboarding new talents, empowering the workforce, establishing accountability, and driving new initiatives and process improvements that are integral to the Company's progress and employee productivity.

In the year ahead, the Company will continue to reposition itself as a trusted developer and a household brand by developing world-class projects that contribute to the built environment. The Company will also center its portfolio of businesses and activities through a customer-focused philosophy which is observed by clearly defining the market needs.

Additionally, the Company will continue to streamline its operations and improve the performance of its operating subsidiaries and investment arms in Kuwait and across the MENA region, focusing on operational efficiency and cost optimization strategies. These strategies will also include enhancing cash flows through performance management, monetizing the Company's idle and non-performing assets, venturing into development partnerships with its premium land assets, and creating new investment opportunities with the purpose of diversifying revenue sources.

The Company's success in attracting reputable institutions to co-invest in its development in Hessah Al Mubarak District, further positions URC as a trusted real estate developer that generates profits for itself and its partners. URC's ability to replicate the co-investment model shall enable the Company to achieve a well-diversified investment development portfolio and product pipeline in the future.

On a final note, I want to take this opportunity to express my gratitude to our Board of Directors and our shareholders for their valued trust and confidence, and I look forward to their continued support. I also would like to express my deep and sincere appreciation to the URC workforce for their dedication and loyalty towards benchmarking URC as the leading real estate developer.

Yours Sincerely,

Mazen Issam Hawwa

Board of Directors

Sheikha Bibi Nasser Sabah Al-Ahmed Al-Sabah
Chairperson

Mazen Issam Hawwa
Vice Chairman & Group Chief Executive Officer

Sheikh Fadel Khaled Al-Sabah
Board Member

Tariq Mohammed AbdulSalam
Board Member

Samer Subhi Khanachet
Board Member

Adel Jassem Al-Wugayan
Board Member

AbdulAmir Qasem AlMuscati
Board Member

Management Team

Mazen Issam Hawwa
Vice Chairman & Group Chief Executive Officer

Ravi Veeraraghavan
Group Chief Financial Officer

Mishary Al Muhailan
Chief Development Officer

Augostino Sfeir
Chief Investment Officer

Youssef Saliba
Chief Legal & Compliance Officer

Rashid Issa Al Issa
Head of HR & Administration

Executive Summary


Hessah Towers brings a modern take on high-end residential living

United Real Estate Company (URC)

United Real Estate Company. K.S.C.P (URC) is a leading real estate developer in Kuwait and the MENA region, with consolidated assets of KD 623 million (US$ 2 Billion) as of 31 December 2019. Headquartered in Kuwait, URC was founded in 1973 and was listed on the Kuwait Stock Exchange in 1984.

URC primarily operates through a number of operating 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 include retail complexes, hotels, residential properties, and high-rise office buildings.

URC's operations extend to construction and contracting, facility management, and project management through its several subsidiaries. The Company's portfolio of assets and 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, Hilton Cairo Heliopolis & Waldorf Astoria Hotels in Egypt, Aswar Residences in Egypt, and Assoufid in Morocco.

URC is the real estate arm of the majority shareholder, KIPCO Group, one of the biggest holding companies in the Middle East and North Africa, and with consolidated assets of US$ 34 billion as of 31 December 2019. The Group has significant ownership interests in over 60 companies operating across 24 countries. The Group's main business sectors are financial services, media, real estate, and manufacturing. Through its core companies, subsidiaries, and affiliates, KIPCO also has interests in the education and medical sectors.

Key Achievements in 2019

1. Achieved more than 40% sales for Hessah Towers residential development in Hessah AlMubarak District – Kuwait.
2. The Main Works bid package for Hessah Towers has been awarded to Alghanim International General Trading & Contracting Co.
3. Enabling works for Byout Hessah residential development in Hessah AlMubarak District has been awarded to Kuwait Bruckner Construction & Contracting Co.
4. Schematic design phase commenced for the Commercial District development in Hessah AlMubarak District.
5. Completed schematic design phase for Assoufid Phase 2 in Marrakech, Kingdom of Morocco and commenced the detailed design phase.
6. Signed an agreement with Marriot International, Inc., for hotel management and operation of The St. Regis Marrakech Resort and obtained a building permit for the construction of the hotel.
7. Sale of JVT land in Dubai as part of the Company's strategy in monetizing idle and non-performing assets.
8. Sale of two office plots at Hessah AlMubarak District as part of the Company's strategy in monetizing its project investment portfolio opportunity with achieving high returns to shareholders.
9. Successfully secured EGP 250 million (KD 4.6 million) revolving time loan facility from Ahli United Bank (Egypt), against cheques receivables from Aswar Residences project sales in Egypt.
10. Tenor of short-term loans amounting to KD 50 million were negotiated and are reclassified as long-term loans.
11. URC Subsidiary in Oman, Al Reef Real Estate Company S.A.O. (Closed), successfully enhanced its bank facilities and secured a long-term facility amounting to OMR 14 million from Ahli Islamic Bank of Oman.

Hessah Towers

Projects Under Development

Hessah Towers is stunningly overlooking the Arabian Gulf

Hessah Towers

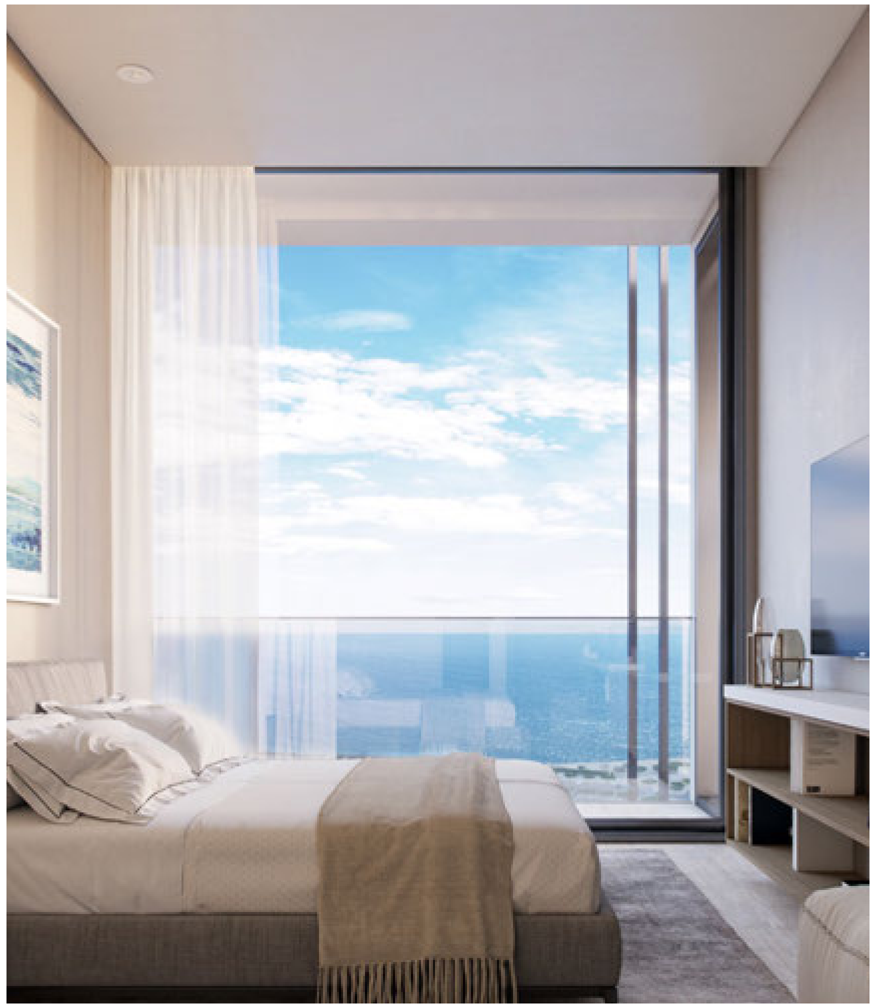
A modern take on high-end residential living, Hessah Towers is a new development that defines the finest in premium luxury lifestyle.

Located in Hessah AlMubarak District, Hessah Towers sets new standards of smart living, comfort, privacy, and security. This landmark development is offering an upscale collection of three-bedroom apartments, duplexes, and townhouses, all built with floor to ceiling windows allowing owners to enjoy breathtaking views of the Arabian Gulf and Kuwait City.

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

Hessah Towers also offers an array of amenities and services including a swimming pool, private health club, gym, gardens, a children's playroom, private roof gardens and special residents-only areas for outdoor entertaining. The development includes a large multi-story parking facility for residents and guests, alongside state-of-the-art building protection systems and dedicated staff for around the clock safety and security.

Penthouses offer a high altitude of serenity



Spacious bedrooms with tranquil views

Luxurious and sophisticated living spaces

Byout Hessah Townhouses redefines modern luxury living

Byout Hessah

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

Conceptualized by SSH, one of the leading master planning and design firms in the Middle East, Byout Hessah comprises two 12-floor residential towers with 105 upscale two-bedroom apartments and 40 luxury four-bedroom townhouses, set amidst landscaped surroundings and conveniently located close to the Arabian Gulf and the heart of Kuwait City's commercial district.

The townhouses embrace high-end modern architecture harmonized by exclusivity, seclusion, and traditional living. Each townhouse is designed with a spacious open plan overlooking a central courtyard equipped with a private pool and accompanying patio deck area. The open courtyard allows access of natural sunlight into the entire residential unit through the lightwell. Selected townhouses with basements are exclusively equipped with a large living area that could function as a multi-purpose room or a diwaniya for hosting visitors. The multi-purpose rooms are privately accessed through the main entrance area in addition to rear access from the basement parking facility.

The apartment units are designed with an open plan living area directly connected to two bedrooms, and have access to a private balcony, while the premium units located on the top floors are linked with larger private rooftop terraces, allowing homeowners to enjoy breathtaking views of the Arabian Gulf, Kuwait Towers and, the picturesque Kuwait City skyline.

Spanning over a land area around 13,000 square meters with an approximate built-up area of 47,000 square meters, Byout Hessah features an array of premium services and amenities dedicated to each residential building, which include a swimming pool, a gym, outdoor terrace spaces, multi-purpose rooms, and indoor and outdoor kids play areas. The property is also within proximity to retail, food & beverage outlets, and serviced apartments within Hessah AlMubarak District.

Byout Hessah exterior view

Private, fully equipped gyms

Swimming pool and outdoor terrace

The Commercial District

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

Conceptualized by Nikken Sekkei, a world-renown architecture, engineering and planning firm headquartered in Japan, and in collaboration with PACE, a leading multidisciplinary consultant based in Kuwait, the Commercial District project is designed to embrace convenience and nature, characterized by a beautiful, pedestrian-friendly landscape equipped with modern walkways, open parks, green spaces, and public plazas. This project will introduce a new dimension of the live-work-play experience, balancing a vibrantly urban scene, alongside green and sustainable settings designed to match the aspirations of a modern living and work culture.

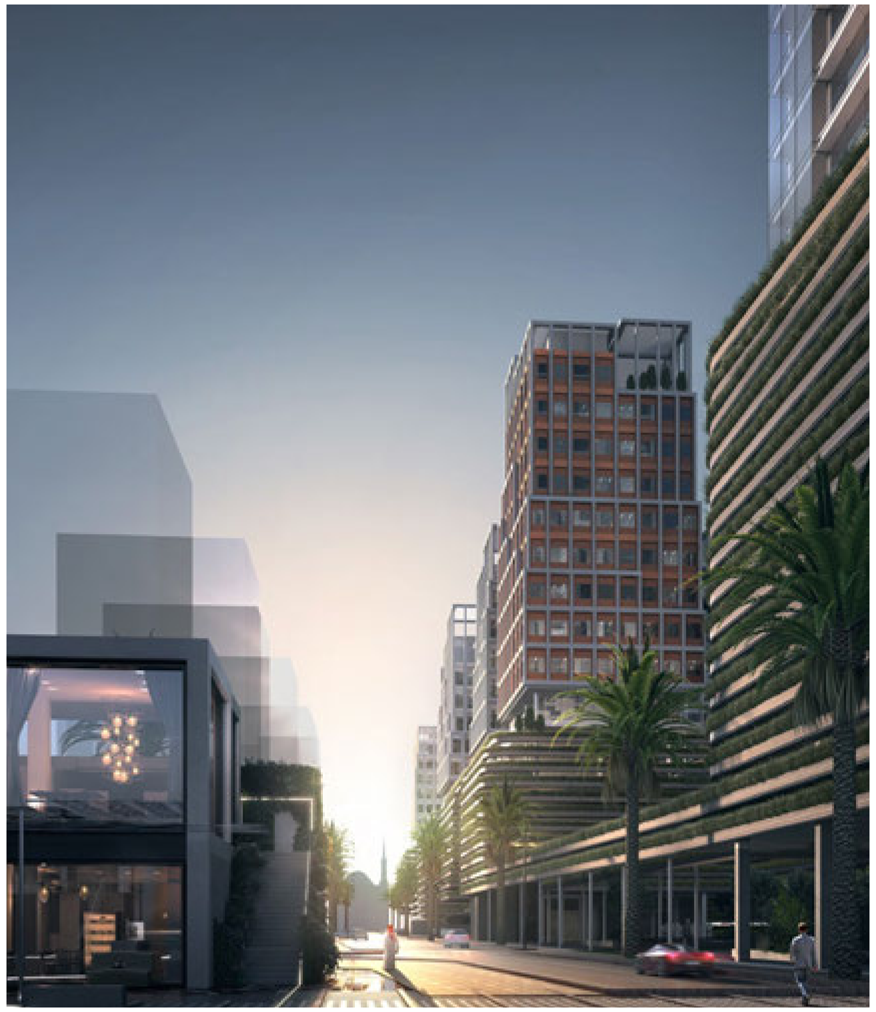
The Commercial District includes state-of-the-art, multi-level buildings, which cater to office spaces, medical clinics, and serviced apartments. These concepts are situated on different multi-story car park podiums, enriched with green facades and vegetated courtyards, all designed with a sustainable environmental approach to Kuwait's climate nature as well as culture. The low-rise buildings are also located on the northern side of the development, which will consist of an open-air shopping and dining district and is set to house an array of international and local brands, as well as the most sought-after restaurants and cafes.

The development is accessible through main roads and highway networks such as Arabian Gulf Road, Third Ring Road, Aden Street, and Fahaheel Highway. The project will also overlook the main pedestrian boulevard at the Hessah AlMubarak District.

An all-inclusive community and lifestyle hub

The Commercial District is a mixed-use development located at Hessah AlMubarak District

An open-air shopping and dining experience



A pedestrian-friendly landscape with modern walkways

The St. Regis Marrakech Resort

Assoufid

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

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

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

The second phase also includes 22 branded residences, 28 real estate residences of tourist promotion (RIPT), 25 residential villas, 120 apartments and a retail area at 2,312 square meters. While the third phase of the Assoufid development will introduce additional premium villas and apartments.

The Assoufid development is strategically located approximately 8 kilometers away from Marrakech International Airport.

Luxury branded four-bedroom residential villa

Luxury villas with picturesque views of the Atlas Mountains

A world-class golf and hospitality experience

URC Group Companies

Operating Subsidiaries

United Facilities Management (UFM)

Mr. Ahmad Yousef Al Kandari
Vice Chairman & CEO

United Facilities Management Company K.S.C.C (UFM) is a subsidiary of United Real Estate Company K.S.C.P (URC) with a stake of 96.8% and is one of the leading companies in the field of integrated facilities management services.

Established in 2008, UFM was the first company in Kuwait to offer comprehensive property and facility management services by utilizing modern applied practices in innovation, technology, and operational standards. UFM delivers its facilities management functions through all phases from design to operation and services, to government buildings, commercial and residential complexes, multi-purpose buildings and oil sector facilities. The Company also provides various other services such as consultancy, maintenance, security and cleaning. The Company's portfolio includes commercial and residential real estate management services in several countries in the MENA Region, including United Arab Emirates, Oman, Bahrain, Jordan, Egypt and Lebanon.

The Company celebrates its 13th anniversary with the continued acquisition of large percentage of contracts in Kuwait, which has reflected positively on its revenues. In 2019, UFM was awarded numerous important contracts with companies in the public and private sectors in Kuwait, which include Kuwait Investment Authority, KAMCO Invest, National Investments Company, Alshaya Group, The British Council, GS Educational, Kuwait Bowling Sporting Club, and the World Bank Office in Kuwait.

Operating Subsidiaries

United Building Company (UBC)

Mr. Mohammad Salem Al-Wetayan
Chief Executive Officer

United Building Company K.S.C.C (UBC) is a fully owned construction and contracting arm of United Real Estate Company K.S.C.P (URC), a leading real estate developer in Kuwait and the MENA region. Classified as a "first" grade contracting company since 1984, UBC has a long track record with several landmark projects in Kuwait. The Company currently has various projects under construction valued at approximately KD 264 million.

The Company's operations have significantly expanded, and has successfully acquired 40% of Insha'a Holding Company, one of the leading manufacturers and suppliers for building and construction material in Kuwait. This acquisition increases UBC's market share in the contracting and construction industry by enhancing its operational efficiency and diversifying its sources of revenue.

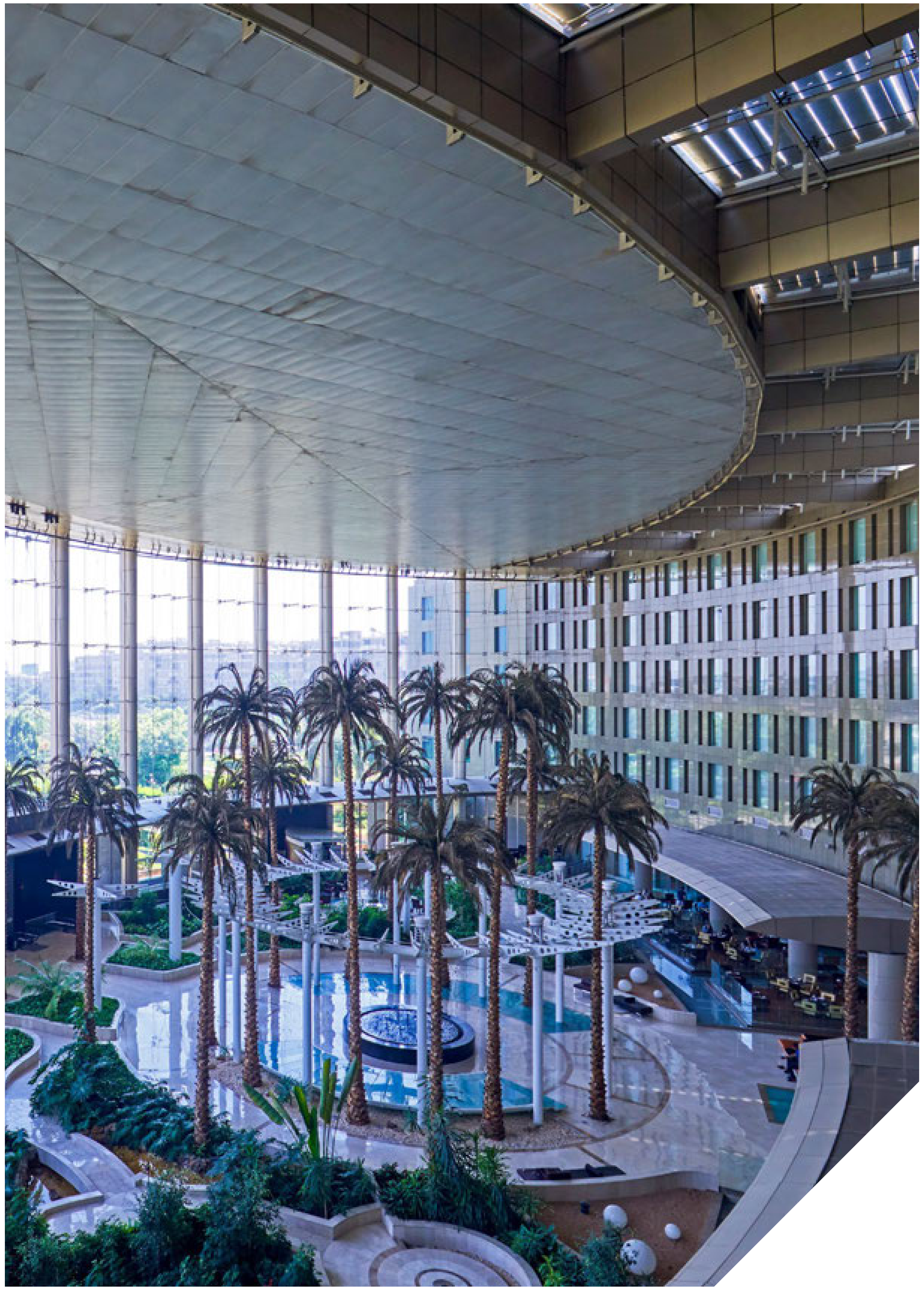
The Company has been awarded various contracting projects from both the public and private sectors such as the Ministry of Health, Ministry of Justice, Ministry of Public Works, Kuwait University, Public Authority for Housing Welfare, EPSCO Kuwait, Mena Homes Real Estate Company, and properties of Sheikh Salem Al-Humoud Al Salem Al Sabah.

The Company's completed construction project portfolio includes Fahaheel Medical Center, Sheikha Salwa Al-Sabah Center for Stem Cell and Umbilical Cord, Public Prosecution Headquarters, EPW & BOT Headquarters, General Department of Experts Headquarters, and public buildings in Sabah Al-Ahmed City – Area C.

The Company's projects under management include Central Utility Plant-3 in Sabah Al-Salem Kuwait University City, multi-level car park building in Kuwait University Khaldiya Campus, Tire Recycling Plant in Salmi Area, the infrastructure works in the Hessah AlMubarak District development, the construction and infrastructure works in NA (1 + 5 + 6) in West Abdullah Al-Mubarak Area, and the construction of 40 residential buildings and infrastructure works for the investment suburb of Sabah Al Ahmed City.

The Company has created a new logistics division as a supporting arm to optimize its standards of business process and construction projects.

Recently, the Company's paid-up capital has increased from KD 2.5 million to KD 10 million and the issued capital has increased to KD 15 million to enter into larger tenders aside from its current projects.



Waldorf Astoria Cairo Heliopolis Hotel in Egypt

Operating Subsidiaries

Al Dhiyafa Holding Company (DHC)

Sheikh Khalifa Abdullah Al Jaber Al-Sabah
Chairman

Established in 2005, Al Dhiyafa Holding Company K.S.C.C (DHC) is owned by United Real Estate Company K.S.C.P (URC) at an 81% stake, and manages several subsidiaries geographically spread across Lebanon and Egypt. The Company's portfolio of assets and businesses includes Safir Bhamdoun Hotel and Raouche View 1090 in Lebanon, Hilton Cairo Heliopolis & Waldorf Astoria Hotel Egypt as well as land assets in Al Orouba and in Sharm El Sheikh, Egypt.

Gulf-Egypt for Hotels & Tourism

Mr. Mohsen Abu Al Azm
Managing Director

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

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

Aswar Residences in New Cairo, Egypt

Regional Companies

United Real Estate Holding for Financial Investments

Mr. Mohamed Helmy Shakweer
Managing Director (MD)

United Real Estate Holding for Financial Investments Egypt

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

Headquartered in Cairo, United Real Estate Holding for Financial Investments is responsible for overseeing the regional portfolio of assets and real estate investments related to URC subsidiaries in Egypt. It manages land bank assets in Egypt and property development through project planning and supervision of both Aswar Residences and Avaris residential development. It also supports URC's operations and strategies in Kuwait by overseeing its planned activities and businesses in Egypt.

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

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

Abdali Mall in Amman, Jordan

Regional Companies

United Real Estate Company - Jordan

Mr. Abdelmajid Atallah Kabariti
Chief Executive Officer (CEO)

URC
شركة العقارات المتحدة
United Real Estate Co
Jordan

United Real Estate Company Jordan P.S.C (URC – Jordan), established in 2006 and owned by United Real Estate Company K.S.C.P (URC), is the investment arm of URC in the Kingdom of Jordan. Headquartered in Amman, URC – Jordan embraces the corporate vision of enriching the local community through the development of landmark projects. Abdali Mall is one of the most acclaimed developments to be delivered by URC, and it is the premier retail and entertainment hub that has redefined the concept of shopping malls through its unique architecture and diverse tenant mix. Abdali Mall is also a stimulant to Jordan's economy by contributing thousands of direct and indirect job opportunities to the workforce which contributes to this vital industry.

Associates

Mena Homes Real Estate Company

Mr. Mazen Issam Hawwa
Chairman

Mena Homes Real Estate Company K.S.C.C is a Kuwaiti closed shareholding company owned by United Real Estate Company K.S.C.P (URC) at a 33.33% stake, along with other reputable KIPCO Group subsidiaries.

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

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

United Towers Holding Company (UHTC)

Mr. Ahmad Saud Al Sumait
Chairman & Chief Executive Officer

Established in 2006, United Towers Holding Company K.S.C.C (UTHC) is an associate of United Real Estate Company K.S.C.P (URC) owned at a 40% stake, with a core business focus on real estate investment and development activities. UTHC's property portfolio includes Al Shaheed Tower, City Tower and KIPCO Tower, all located in Kuwait's business district, Sharq.

Associates

Assoufid B.V. (ABV)

Mr. Yahia Er-Rida
Executive Director

Assoufid B.V. (ABV) is a private company registered in the Netherlands, that solely owns the Assoufid Development Project located in Marrakech in the Kingdom of Morocco through several real estate and services companies. ABV is an associate of United Real Estate Company K.S.C.P (URC), in which URC owns a 49% stake in the Company and oversees its project development and management.

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

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

Insha'a Holding Company

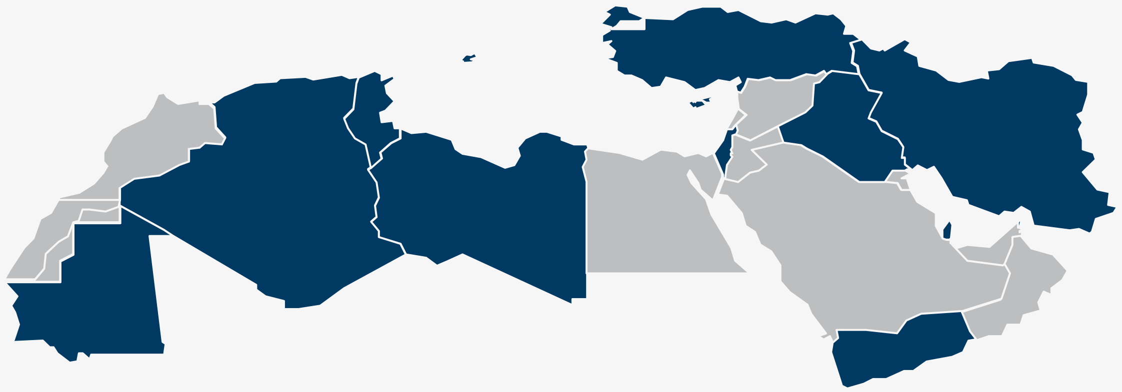
Mr. Haitham Mohammed Al Refaei
Chief Executive Officer

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

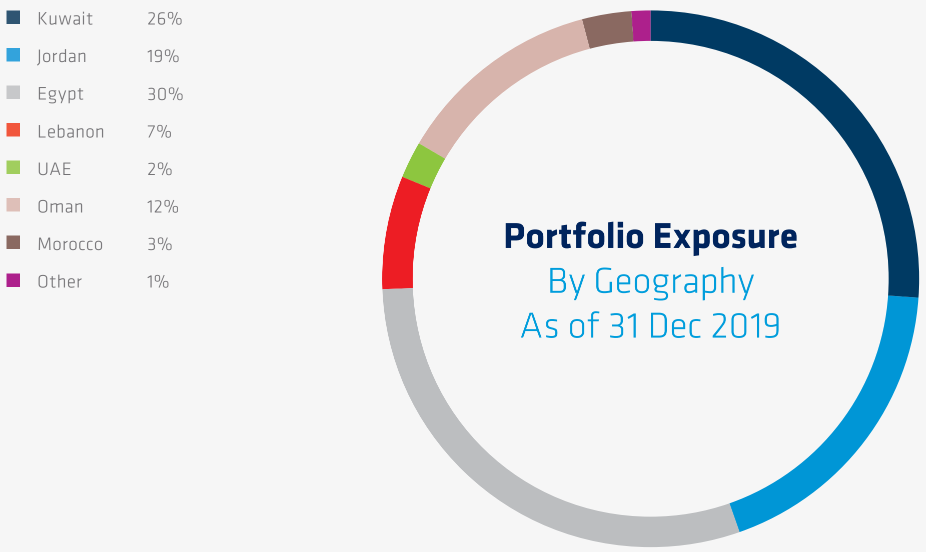
In 2017, United Building Company K.S.C.C (UBC), the construction and contracting arm of United Real Estate Company K.S.C.P (URC), in partnership with Qurain Petrochemical Industries Company (QPIC), one of KIPCO Group subsidiaries, acquired an interest of 98% of Insha'a Holding in a deal valued at KD 13.75 million.

Company Performance

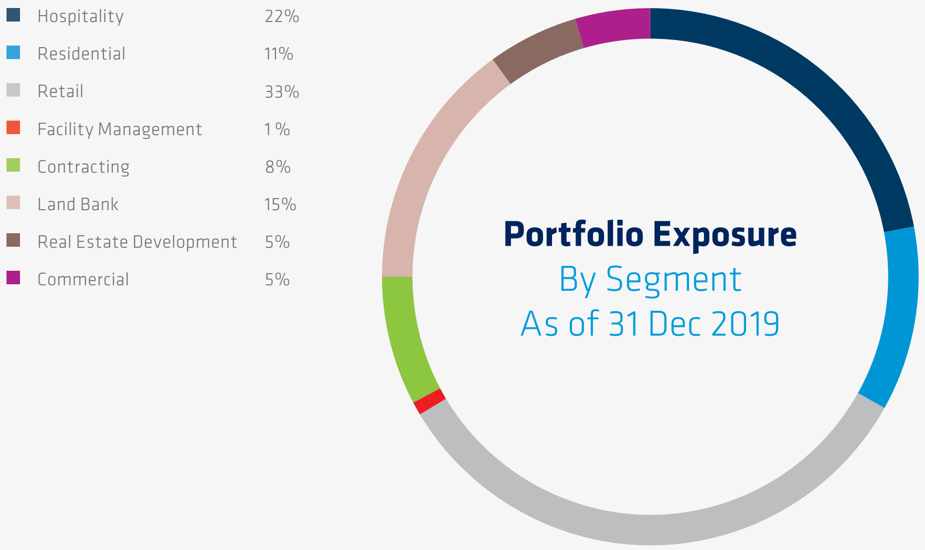
Portfolio Exposure by Geography and Operating Segment



URC's operations are spread across multiple countries in the MENA region, with Kuwait serving as the home-base. Of particular emphasis are our investments in the high-growth market of Egypt and our growing income-generating assets in Oman and Jordan.

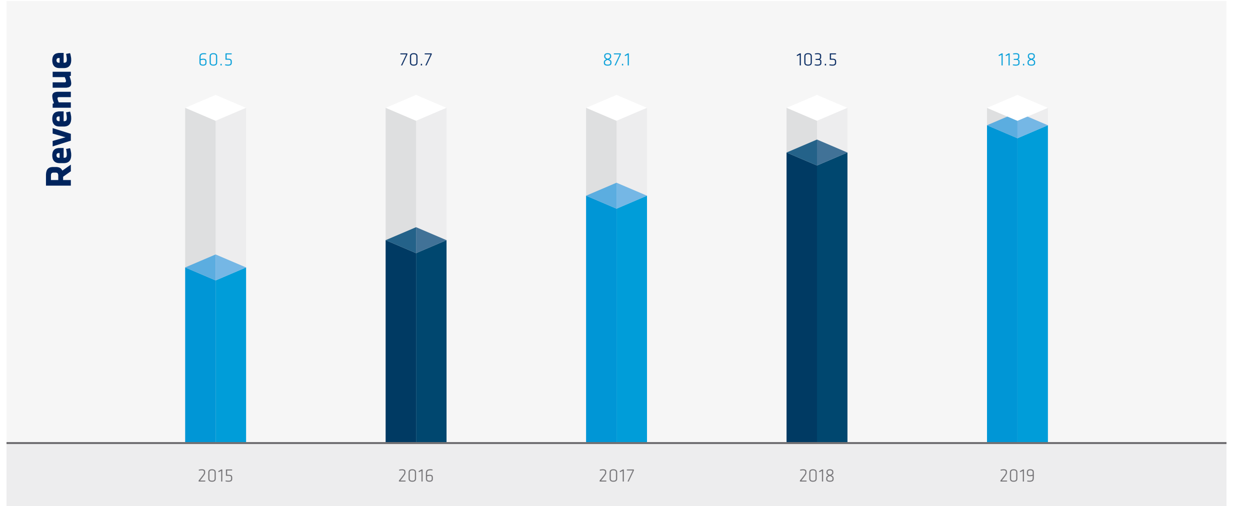


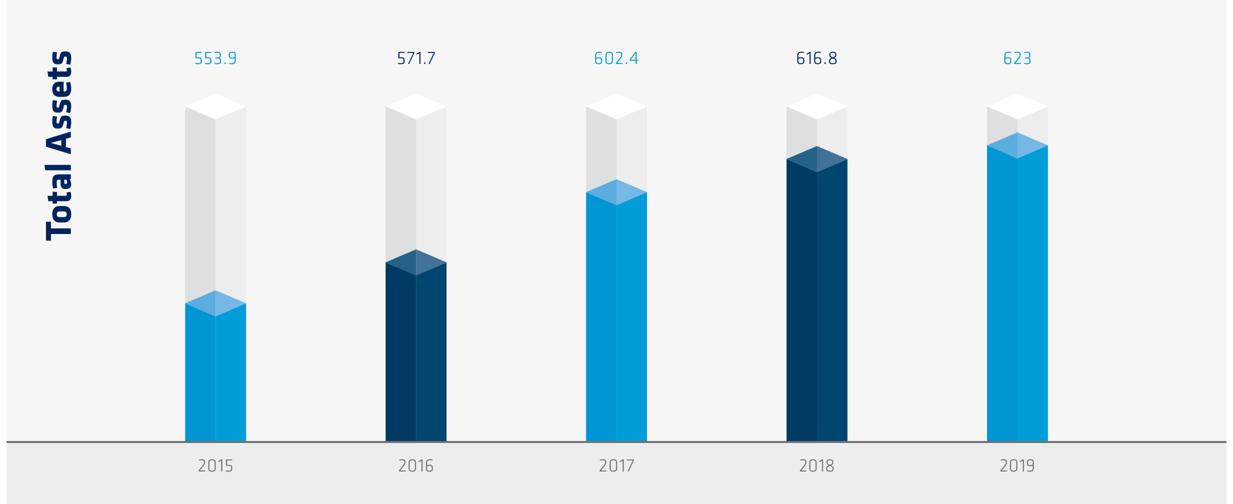
*Others includes Syria, Bahrain, KSA, UK and Cyprus

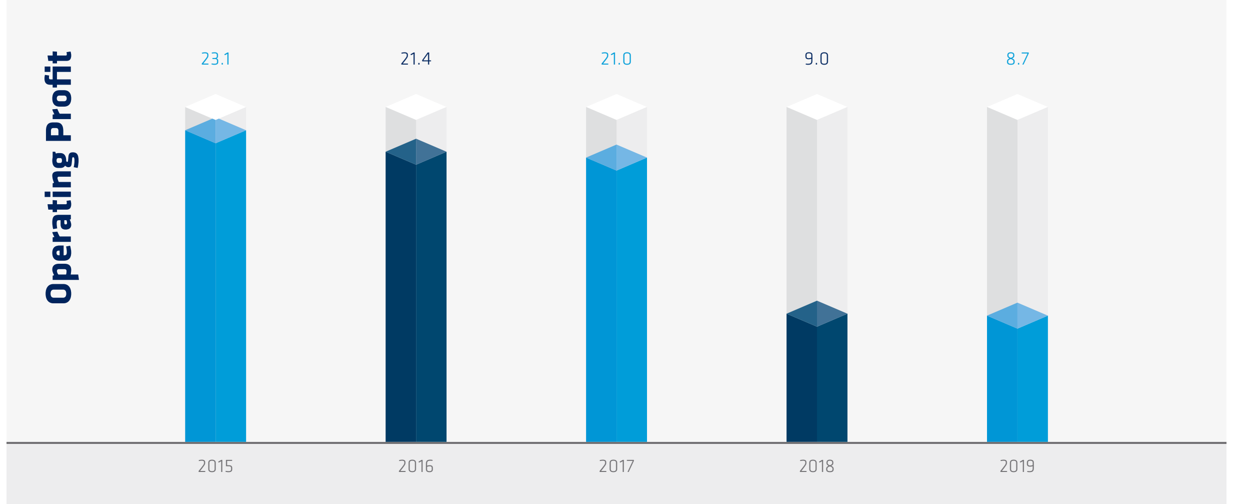


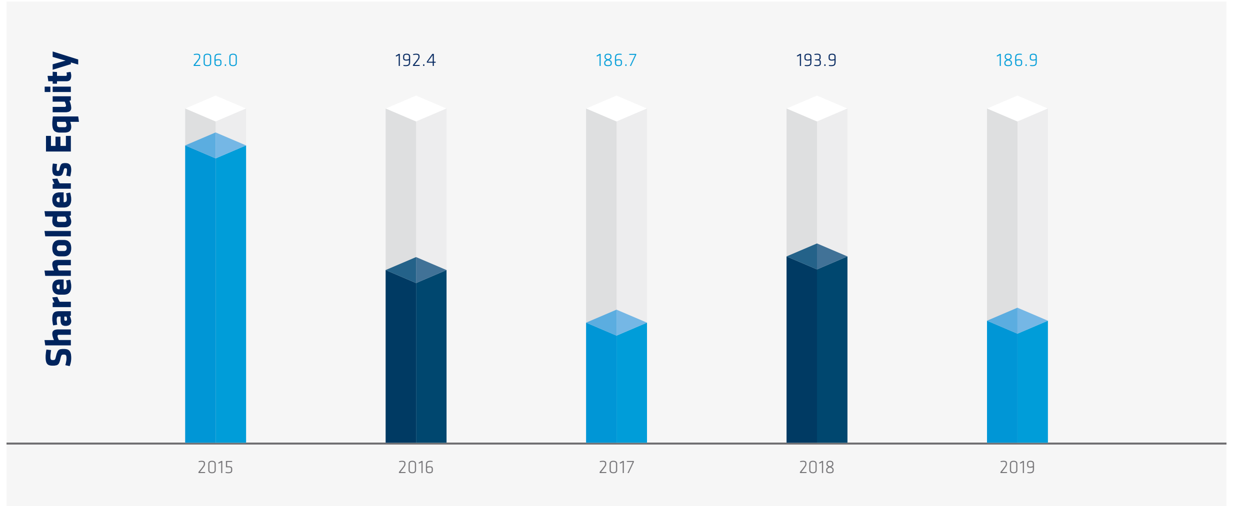
Debt Maturity

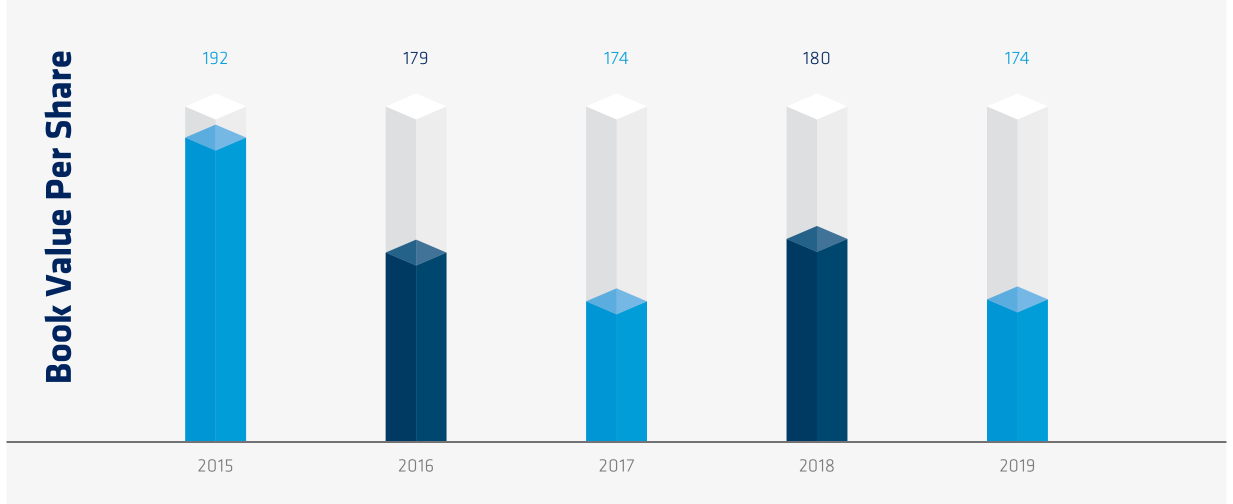
Key Financial Highlights











Corporate Governance Report 2019

First Rule

Construct a Balanced Board Composition

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

Name	Membership	Qualifications & Experience	Election Date / Appointment
Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah	Non-Executive	Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah has been a Board Member of United Real Estate Company K.S.C.P (URC) since 2006 and has been recently appointed as Chairperson of the Board of Directors. She has more than 12 years of professional experience in the management field and served as a member on several Board Committees pertaining to financial, management and operational activities related to the Company's business objectives and projects. Sheikha Bibi Nasser Al-Sabah graduated from The New School University in New York City in 2003 with a B.A in Liberal Arts. Since then, she became the founding Chairperson of the Social Work Society (SWS), a Kuwaiti civil society organization aimed at protecting the human rights of domestic workers and contracted labor. She was recently named a Goodwill Ambassador by the International Organization for Migration due to her continuous contributions towards advocating humanitarian issues and social causes. She was also awarded the Prestigious Chaillot Prize for her persistent promotion of human rights in the Arabian Gulf.	29/04/2019
Mr. Mazen Issam Hawwa (Representing Al-Dhiyafa United Real Estate Co.)	Non-Executive	Mr. Mazen Hawwa joined URC as Group Chief Executive Officer in 2020. Mr. Hawwa has been a member of the senior management team of KIPCO Group where he has spent more than 19 years. He joined the finance and accounts team in 2001 and was last Deputy Group Chief Operating Officer leading finance and operations. He also serves on the board of several KIPCO operating subsidiaries. Mr. Hawwa has multi facet experience in various verticals in which KIPCO Group is involved including real estate and financial services. As part of KIPCO Group's strategy, Mr. Hawwa has been involved in various operating companies providing thought leadership and advice on strategic directives, financial planning and governance. Mr. Hawwa holds an Executive MBA from HEC Paris and is a graduate of the Lebanese American University. He has attended several executive education programs, including the General Management Program at Harvard Business School, and holds several professional qualifications from prominent US-based institutions.	29/04/2019
Mr. Tariq Mohammed AbdulSalam (Representing First North Africa Real Estate Company)	Non-Executive	Mr. Tariq AbdulSalam holds a bachelor's degree in accounting from Kuwait University. Additionally, he has over 30 years of experience in the fields of financial management, consulting, and financial and real estate investment.	29/04/2019
Sheikh Fadel Khaled Al Jaber Al-Sabah	Independent	Sheikh Fadel Al-Sabah holds a post graduate degree in business administration and brings with him 35 years of experience in business management and real estate investment.	29/04/2019
Mr. Samer Subhi Khanachet (Representing Al-Zad Real Estate Co.)	Non-Executive	Mr. Samer Khanachet holds an MBA from Harvard University and a bachelor's in administrative sciences and chemical engineering from the University of Massachusetts, USA. He has over 25 years of experience in the banking, real estate and the education sectors across the MENA region.	29/04/2019
Mr. Adel Jassem Mohammed Al-Wugayan (Representing Tadamon United Holding Company)	Non-Executive	Mr. Adel Wugayan holds an MBA from the University of Southern Indiana (USI), USA. He brings onboard over 32 years of experience in the banking and real estate investment sectors.	29/04/2019
Mr. AbdulAmir Qasem Ali Jafar AlMuscati	Independent	Mr. AbdulAmir AlMuscati holds a bachelor's degree in electrical engineering from the University of California, USA. He has previously served as a member on the board of directors of Al Dhiyafa Holding Company, United Real Estate Company, United Facilities Management Company, and Al Reef Real Estate Company in Oman. He also held the position of General Manager at United Universal Company and United Real Estate Company, Bahrain. He has over 14 years of experience in contracting and real estate.	29/04/2019
Mr. Youssef Tony Saliba	Board Secretary	Mr. Youssef Saliba specializes in commercial and corporate law with over 20 years of experience. He obtained his law degree in Lebanese law and a diploma in Anglo-American law from St. Paul's University, Lebanon. He also holds a diploma in banking and financial studies, as well as an LLM in international trade law from Queen Mary College – University of London, UK.	01/05/2019

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

Board of Directors Meetings in 2019

The Board of Directors (BOD) was reformed during the annual general meeting held on 2019/04/29. The previous BOD held two meetings during the first quarter of 2019, while the reformed BOD held four meetings, bringing the total number of Board meetings during 2019 to six. Details are as follows:

Name of Member (Old Structure)	Meeting No. (1) Held on 21/02/19	Meeting No. (2) Held on 28/03/19	Number of Meetings
Mr. Tariq Mohammed AbdulSalam Chairman	√	√	2
Mr. Ali Ibrahim Marafi Vice Chairman – Independent Member	√	X	1
Sheikh Fadel Khaled Al Jaber Al-Sabah Independent Member	√	√	2
Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah Non-Executive Member	√	√	2
Mr. Adel Jassem Mohammed Al-Wugayan Non-Executive Member	√	X	1
Mr. Samer Subhi Khanachet Non-Executive Member	√	√	2
Mr. Mazen Issam Hawwa Non-Executive Member	√	X	1

Name of Member (New Structure)	Meeting No. (3) Held on 01/05/19	Meeting No. (4) Held on 14/05/19	Meeting No. (5) Held on 31/07/19	Meeting No. (6) Held on 03/11/19	Number of Meetings
Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah Chairperson	√	√	√	√	4
Mr. Mazen Issam Hawwa Vice Chairman	√	√	√	√	4
Mr. Tariq Mohammed AbdulSalam Non-Executive Member	√	√	x	x	2
Sheikh Fadel Khaled Al Jaber Al-Sabah Independent Member	√	√	x	√	3
Mr. Adel Jassem Mohammed Al-Wugayan Non-Executive Member	√	x	√	√	3
Mr. Samer Subhi Khanachet Non-Executive Member	√	√	√	√	4
Mr. AbdulAmir Qasem Ali Jafar AlMuscati Independent Member	√	√	√	√	4

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

United Real Estate Company (URC) (the "Company") has requirements in place for registration, coordination and recording Board minutes of meetings. Meetings are to be held at the invitation of the Chairperson of the Board and in case of an emergency meeting, a written request must be submitted by two members of the Board. In 2019, no emergency meetings were held. Invitations must be sent with an agenda, along with related documents to all members no later than three (3) working days before the date of the meeting. Meetings must be scheduled after closure of the trading window. The Secretary of the Board must record all matters discussed and decisions taken, while taking into account any reservations or dissenting opinions raised during the meeting. All minutes of meetings must be recorded and filed under sequential numbers by year, place of meeting, date and time (start to end). Minutes must be signed by all members present and kept at an easy-to-access place along with documents that were presented and discussed.

Second Rule

Establish Appropriate Roles and Responsibilities

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

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

Achievements of the Board of Directors during the year:

1. Approving interim and annual financial statements.
2. Monitoring and supervising the performance of Executive Management and taking necessary measures to improve performance.
3. Discussing reports submitted by board committees.
4. Aligning Company accounting policies with latest international standards.
5. Periodically developing and monitoring the Company's internal control systems.

An overview on the requirements for forming independent Board Committees:

Name of Committee	Nomination & Remuneration Committee	Audit Committee	Risk Management Committee	Executive Committee
Committee Tasks	• Approve nominations of board members who will be elected by shareholders at AGMs, as well as filling vacant positions on the Board. • Look into any nominations submitted by shareholders in relation to candidates for board members. • Review, evaluate and recommend, when necessary, policies for rewards and bonus for employees at URC. • Ensure independence of independent board members. • review annually requirements and experts for the Board.	• Ensure effectiveness of the Company's internal controls and risk management systems. • Ensure the independency, qualification and performance of the Internal Audit Department. • Ensure effectiveness of the Company's system to comply with legal and regulatory requirements, ethics, and rules. • Ensure the integrity and accuracy of financial statements. • Evaluate the performance of external and internal auditors.	• Adopt principles, policies, strategies, operations, and frameworks for risk management. • Approve and/or recommend changes to risk appetite, as needed. • Assist BOD and Executive Management in identifying and assessing acceptable level of risk for the Company.	• Direct the Executive Management at the Company as well as making decisions and recommendations related to the Company's activities and operations to the BOD. • Manage the Company's operations in line with financial powers approved by the BOD.
Achievements throughout the Year	• Prepared a list of nominations for board memberships in the new session. • Approved annual bonuses for the Company and its subsidiaries' and employees. • Ensured independence of independent board members. • Regularly reviewed required skills and qualifications for joining the BOD. • Prepared job descriptions for all the Board members.	• Reviewed and discussed interim and annual financial statements to ensure integrity and accuracy before Board approval. • Recommended to the BOD on appointing external auditors, monitored their performance and ensured their independence. • Reviewed and reported the internal control systems in the Company. • Supervised internal audit department and approved the annual audit plan. • Appointed independent auditors to review performance of Internal Audit Department.	• Approved organizational structure and risk management policies. • Granted powers to Risk Management Department employees to carry out duties in a manner that does not conflict with their supervisory role. • Monitored performance of the Company's operation projects to determine acceptable level of risk. • Reviewed recommendations of Risk Management Department that concern related parties. • Submitted regular reports to the BOD on risk assessment and ways to mitigate.	• Studied the recommendations of Executive Management regarding existing projects and new investments, as well as taking decisions in there regards. • Directed Executive Management to maximize the profits of the Company and its subsidiaries. • Discussed and prepared estimated budget with the Executive Management. • Monitored approved powers granted to Executive Management and proposed amendments, where needed.
Date of Formation	01/05/2019	01/05/2019	01/05/2019	01/05/2019
Committee Tenure	3 years	3 years	3 years	3 years
Members of the Committee	Mr. Samer Subhi Khanachet - President Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah - Member Sheikh Fadel Khalid Al Jaber Al-Sabah - Member Mr. Mazen Issam Hawwa - Member	Mr. Mazen Issam Hawwa – President Mr. Adel Jassem Al-Wugayan – Member Mr. AbdulAmir Qasem AlMuscati - Member	Sheikh Fadel Khalid Al Jaber Al-Sabah – President Mr. Samer Subhi Khanachet - Member Mr. Adel Jassem Al-Wugayan – Member	Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah - President Mr. Samer Subhi Khanachet - Member Mr. Tariq Mohammed Abdusalam – Member Mr. Mazen Issam Hawwa - Member
Number of Meetings/Year	2	11	4	6

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

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

Third Rule

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

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

The Board of Directors has formed a Nomination and Remuneration Committee, which consists of 4 members (3 non-executives + 1 independent member). As previously mentioned, the Committee is responsible for preparing recommendations concerning nominations for Board membership as well as nominations for positions in Executive Management. The Committee shall annually ensure the independency of independent board members, as well as approve annual bonuses for the Board members, Executive Management, and Employees. The Committee has also prepared the job descriptions of each of the Board members and annually reviews the needs and required skills for the Board membership to ensure the effectiveness and efficiency of the current Board structure in managing and improving the performance of the Company for the benefit of all shareholders and stakeholders.

Report on the remunerations of the Members of the Board of Directors and Executive Management:

Title	Bonuses, Salaries, Incentives & Other Financial Benefits Received Through Parent Company & its Subsidiaries	Total Bonuses, Salaries, Incentives & Other Financial Benefits Received Through Parent Company & its Subsidiaries for the Year 2019 (in Kuwaiti Dinars)
Board of Directors (7 members)	Variable bonuses (Annual bonuses)*	0
Members of Executive Management	Fixed bonuses and benefits (salary, annual incentives, allowances, health insurance, life insurance, travel tickets, end of service benefits), variable bonuses (annual bonuses)	683,988.744
Total		683,988.744

*Upon approval during the Annual General Meeting

Fourth Rule

Safeguarding the Integrity of Financial Reporting

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

The annual financial statements for the year 2019 that has been submitted to the shareholders included undertaking from the Board of Directors ensuring the integrity and accuracy of all data presented in the financial report. Additionally, the Executive Management, represented by the GCFO, also presented their undertaking to the Board of Directors ensuring that the financial reports and statements submitted for the financial year ending on 31st December, 2019, were presented in a sound and fair manner and were prepared in accordance to the generally accepted international accounting standards.

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

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

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

The Audit Committee accomplished all its duties during 2019 and did not record any conflicts between the Committee's recommendations and the Board's decisions.

Verification of the independence and neutrality of the external Auditor:

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

Fifth Rule

Apply Sound Systems of Risk Management and Internal Audit

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

The Company has established an independent department for identifying and managing risks. A Risk Manager has been appointed upon the recommendation of the Risk Management Committee, as well as the Nominations Committee, with the approval of the Board of Directors. The Risk Manager oversees risk management tasks for the Company. The Department is independent as it is directly guided and follows the Risk Management Committee. The administration has been granted full authority for assistance in undertaking tasks that monitor and measure the kinds of risks to which the Company's operations maybe exposed to.

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

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

Summary clarifying the control and internal audit systems:

The Company has put in place an effective system that works to preserve the financial integrity of the Company by setting a list of financial authorities and powers which have been approved by the Board of Directors. The application and activation of the principle of dual control were considered in terms of (1) examination and review, (2) accreditation and signature, (3) defining the power and authority of all relevant administrative levels within the Company, and (4) dual signature on financial transactions. These regulations are reviewed periodically.

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

The Company established a completely independent internal audit department, which reports directly to the Audit Committee and the Board of Directors. An Audit Chief Executive was appointed with the approval of the Board, based on the nomination of the Audit Committee. The Board approved the Management Work Manual, which details the tasks and responsibilities of the Internal Audit Department.

Sixth Rule

Promote the Code of Conduct and Ethical Standards

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

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

1. Commit to achieving the Company's best interests and not to abuse authority.
2. Apply ethical instructions and relevant laws.
3. Determine the professional behaviors required to work within the Company such as confidentiality of information, submission of proposals, acceptance of gifts and benefits.
4. Instructions on how to deal with stakeholders and monitor related party transactions through risk management.
5. Separating the interests of the Company and the interests of the Board members and the Executive Management, if any, and the mechanism of disclosure thereof.
6. Establishing a policy for reporting violations and designing a reporting system available to internal and external stakeholders.
7. Establishing disciplinary procedures in accordance with Kuwait's Labor Laws that are to be followed in the event of undesirable behaviors.

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

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

Seventh Rule

Ensure Timely and High Quality Disclosure and Transparency

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

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

Brief about the application of the requirements of the Board of Directors disclosure and the Executive Management disclosures:

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

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

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

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

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

Eighth Rule

Respect the Rights of Shareholders

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

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

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

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

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

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

Ninth Rule

Recognize the Roles of Stakeholders

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

The Board of Directors has adopted a policy and a regulation to protect the rights of stakeholders. This include the rules and procedures to be followed with stakeholders to ensure that their rights are protected and that they are compensated in the event that these rights are violated. In addition, internal control systems must monitor the Company's compliance with relevant laws and regulations.

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

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

Tenth Rule

Encourage and Enhance Performance

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

The training program for the members of the Board of Directors and members of the Executive Management was committed to during the year 2019.

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

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

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

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

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

Eleventh Rule

Focusing on the Importance of Corporate Social Responsibility (CSR)

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

The Company's CSR policy was set and approved, clarifying and confirming the importance of its contribution to the economic and social development of the communities it serves, in addition to the importance of participating in the advancement of society in general and its employees in particular.

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

The Company has been committed to upholding its CSR promises and implementing its program, succeeding in highlighting the Company's role in contributing to the social, economic, educational and health development across multiple platforms. A few of these initiatives include:

1. Contributing to the "Fifth KIPCO Tmkeen Award for Young Entrepreneurs" competition during the Youth Empowerment Symposium (Tamkeen).
2. Contributing to the "INJAZ Kuwait" organization to qualify and train students in three areas: workforce preparation, economic and financial management, and entrepreneurship and business leadership.
3. Supporting the 4th Gulf Studies Symposium by the Center for Gulf Studies at the American University of Kuwait.

The Company's social contributions over the course of the year 2019 can be viewed by visiting the CSR section on the Company's website.

Consolidated Financial Statements

Date: June 21, 2020

Messrs. Esteemed Shareholders

Subject: Confirmation of soundness and accurateness of financial reports for the financial year ended on the 31st of December 2019

Reference is hereby made to the above-mentioned subject, and in compliance with United Real Estate Co KSCP. ("The Company") policies and procedures to ensure the soundness and accuracy of its financial statements as one of the major indicators of the Company's integrity, credibility and transparency in presenting its financial position to increase investor confidence and the realization of shareholders' rights, and in compliance with Article No. 5-3 of the Corporate Governance Rules of book No. 15, chapter No. 5 of the CMA executive bylaws;

We, members of the Board of Directors, hereby confirm that to the best of our knowledge and pursuant to our periodic review of the interim financial statements, the Company's financial reports for the financial year ended on the 31st of December 2019 are presented accurately and soundly, and expose all of the Company's financial aspects including information and results related to the Company's activities. Furthermore, said financial reports have been prepared in accordance with international financial reporting standards.

Bibi Nasser Al-Sabah

Chairperson

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better working world

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INDEPENDENT AUDITOR'S 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 2019, 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 2019, 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 '*Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S 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)

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 2019. 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 Note 2.5 and in Note 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 have assessed the appropriateness and reasonableness of the valuation methodologies, key assumptions and estimates used in the valuations on a sample basis, based on evidence of comparable market transactions and other publicly available information of the property industry. We 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.

Other information included in the Group's 2019 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Report on the Audit of Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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)

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

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

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

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019, that might have had a material effect on the business of the Parent Company or on its financial position.

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

2 April 2020
Kuwait

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019 KD*	*2018 KD*
ASSETS			
Non-current assets			
Property and equipment	11	**136,525,567**	137,474,540
Investment properties	10	**277,497,332**	278,622,370
Investment in associates	9	**57,085,131**	50,445,326
Financial assets at fair value through other comprehensive income	8	**3,989,275**	4,349,142
Loan to an associate	9	**18,474,047**	16,898,333
Intangible assets		**1,924,658**	2,037,433
		495,496,010	489,827,144
Current assets			
Properties held for trading	7	**61,081,729**	57,802,898
Accounts receivable, prepayments and other assets	6	**56,368,740**	49,764,833
Cash, bank balances and short-term deposits	4	**9,806,327**	19,436,714
		127,256,796	127,004,445
TOTAL ASSETS		**622,752,806**	616,831,589
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	13	**139,614,289**	94,930,719
Deferred tax liabilities	21	**31,970,159**	30,097,090
Bonds	14	**60,000,000**	60,000,000
		231,584,448	185,027,809
Current liabilities			
Interest bearing loans and borrowings	13	**97,651,310**	145,679,981
Accounts payable, accruals and other payables	12	**82,996,673**	69,240,888
		180,647,983	214,920,869
Total liabilities		**412,232,431**	399,948,678
EQUITY			
Share capital	15	**118,797,442**	118,797,442
Share premium	15	**15,550,698**	15,550,698
Statutory reserve	16	**20,511,526**	20,511,526
Voluntary reserve	17	**2,582,767**	2,582,767
Treasury shares	18	**(14,478,743)**	(14,478,743)
Treasury shares reserve		**491,325**	491,325
Other reserve		**(16,357,247)**	(16,357,247)
Cumulative changes in fair values		**(1,430,420)**	(1,099,697)
Foreign currency translation reserve		**(16,839,291)**	(16,409,854)
Revaluation surplus		**38,559,952**	37,796,520
Retained earnings		**39,526,685**	46,497,681
Equity attributable to equity holders of the Parent Company		**186,914,694**	193,882,418
Non-controlling interests		**23,605,681**	23,000,493
Total equity		**210,520,375**	216,882,911
TOTAL LIABILITIES AND EQUITY		**622,752,806**	616,831,589

Bibi Naser Al Sabah
Chairperson

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	*2019 KD*	*2018 KD*
REVENUE			
Gross rental income		**21,170,781**	21,200,584
Hospitality income		**17,488,643**	17,855,647
Contracting and services revenue		**69,150,630**	54,739,268
Sale of properties held for trading		**2,347,569**	5,554,332
Other operating revenue		**3,685,725**	4,126,878
		113,843,348	103,476,709
COST OF REVENUE			
Properties operating costs		**(4,663,427)**	(6,124,805)
Rental expense on leasehold properties		**(1,993,733)**	(2,046,649)
Hospitality costs		**(11,724,241)**	(11,881,194)
Depreciation of hospitality assets	11	**(3,294,077)**	(3,479,217)
Contracting and services costs		**(65,836,512)**	(52,395,820)
Cost of properties held for trading sold	7	**(1,845,567)**	(5,788,482)
		(89,357,557)	(81,716,167)
GROSS PROFIT		**24,485,791**	21,760,542
Investment income	19	**5,655**	10,205
General and administrative expenses	20	**(7,166,302)**	(7,734,773)
Depreciation of property and equipment	11	**(316,279)**	(313,641)
Amortisation of intangible assets		**(110,644)**	(103,547)
(Loss) gain from disposal of investment properties		**(96,134)**	1,322,840
Provision for a legal case	5	**(5,409,224)**	(936,425)
Impairment of properties held for trading	7	**(300,820)**	-
Valuation loss on investment properties	10	**(942,746)**	(3,285,384)
Provision for maintenance on leasehold properties		**(264,000)**	(264,000)
Provision for expected credit losses		**(1,146,927)**	(1,504,915)
OPERATING PROFIT		**8,738,370**	8,950,902
Gain on disposal of investment in an associate and subsidiary	9	**-**	167,723
Gain on disposal of property and equipment		**11,376**	17,229
Interest income		**265,418**	339,510
Other income	26 (d)	**1,660,563**	542,089
Finance costs		**(15,825,261)**	(16,878,659)
Share of results of associates	9	**(4,054)**	(1,630,074)
Foreign exchange (loss) gain		**(246,850)**	12,494
LOSS BEFORE TAXATION AND DIRECTORS' REMUNERATION		**(5,400,438)**	(8,478,786)
Taxation expense	21	**(1,524,376)**	(392,462)
Directors' remuneration		**-**	(42,000)
LOSS FOR THE YEAR		**(6,924,814)**	(8,913,248)
Attributable to:			
Equity holders of the Parent Company		**(7,222,196)**	(8,994,266)
Non-controlling interests		**297,382**	81,018
		(6,924,814)	(8,913,248)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
Basic loss per share	22	**(6.72) fils**	(8.37) fils
Diluted loss per share	22	**(6.72) fils**	(8.37) fils

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 KD	*2018 KD*
Loss for the year	**(6,924,814)**	(8,913,248)
Other comprehensive income (loss):		
Items that are or may be reclassified to consolidated income statement in subsequent periods:		
Exchange difference on translation of foreign operations	**(219,140)**	(4,564,718)
Net other comprehensive loss that are or may be reclassified to consolidated income statement in subsequent periods	**(219,140)**	(4,564,718)
Items that will not be reclassified to consolidated income statement subsequent periods:		
Changes in fair value of equity instruments at fair value through other comprehensive income	**(330,723)**	(3,395)
Revaluation gain of property and equipment (Note 11)	**1,364,390**	58,163,680
Deferred tax on revaluation gain of property and equipment (Note 21)	**(252,249)**	(13,062,383)
Net other comprehensive income that will not be reclassified to consolidated income statement in subsequent periods	**781,418**	45,097,902
Other comprehensive income	**562,278**	40,533,184
Total comprehensive (loss) income for the year	**(6,362,536)**	31,619,936
Attributable to:		
Equity holders of the Parent Company	**(6,967,724)**	26,834,966
Non-controlling interests	**605,188**	4,784,970
	(6,362,536)	31,619,936

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to equity holders of the Parent Company													
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Other reserve KD*	*Revaluation surplus KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	118,797,442	15,550,698	20,511,526	2,582,767	(14,478,743)	491,325	(16,357,247)	37,796,520	(1,099,697)	(16,409,854)	46,497,681	193,882,418	23,000,493	216,882,911
(Loss) profit for the year	-	-	-	-	-	-	-	-	-	-	(7,222,196)	(7,222,196)	297,382	(6,924,814)
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	1,014,632	(330,723)	(429,437)	-	254,472	307,806	562,278
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	1,014,632	(330,723)	(429,437)	(7,222,196)	(6,967,724)	605,188	(6,362,536)
Transfer of depreciation related to property and equipment carried at revaluation	-	-	-	-	-	-	-	(251,200)	-	-	251,200	-	-	-
At 31 December 2019	**118,797,442**	**15,550,698**	**20,511,526**	**2,582,767**	**(14,478,743)**	**491,325**	**(16,357,247)**	**38,559,952**	**(1,430,420)**	**(16,839,291)**	**39,526,685**	**186,914,694**	**23,605,681**	**210,520,375**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

Equity attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Other reserve KD	Revaluation surplus KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2018	118,797,442	15,550,698	20,511,526	2,582,767	(14,478,743)	491,325	152,073	-	79,553	(14,445,961)	57,485,872	186,726,552	44,408,430	231,134,982
Impact of adopting IFRS 9 at 1 January 2019	-	-	-	-	-	-	-	-	(1,175,855)	-	(1,993,925)	(3,169,780)	-	(3,169,780)
As at 1 January 2018 (restated)	118,797,442	15,550,698	20,511,526	2,582,767	(14,478,743)	491,325	152,073	-	(1,096,302)	(14,445,961)	55,491,947	183,556,772	44,408,430	227,965,202
(Loss) profit for the year	-	-	-	-	-	-	-	-	-	-	(8,994,266)	(8,994,266)	81,018	(8,913,248)
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	37,796,520	(3,395)	(1,963,893)	-	35,829,232	4,703,952	40,533,184
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	37,796,520	(3,395)	(1,963,893)	(8,994,266)	26,834,966	4,784,970	31,619,936
Acquisition of non-controlling interests without loss of control (Note 9)	-	-	-	-	-	-	(16,509,320)	-	-	-	-	(16,509,320)	(26,192,907)	(42,702,227)
At 31 December 2018	118,797,442	15,550,698	20,511,526	2,582,767	(14,478,743)	491,325	(16,357,247)	37,796,520	(1,099,697)	(16,409,854)	46,497,681	193,882,418	23,000,493	216,882,911

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Loss for the year		**(6,924,814)**	(8,913,248)
Adjustments for:			
Depreciation	11	**4,746,190**	4,343,619
Amortisation		**110,644**	103,547
Valuation loss on investment properties	10	**942,746**	3,285,384
(Gain) loss on disposal of properties held for trading		**(502,002)**	234,150
Gain on disposal of property and equipment		**(11,376)**	(17,229)
Loss (gain) on disposal of investment properties		**96,134**	(1,322,840)
Gain on disposal of investment in an associate and subsidiary		**-**	(167,723)
Provision for a legal case	5	**5,409,224**	936,425
Provision for maintenance on leasehold properties		**264,000**	264,000
Provision for expected credit losses		**1,146,927**	1,504,915
Dividend income	19	**(6,374)**	(22,125)
Investment loss		**719**	11,920
Interest income		**(265,418)**	(339,510)
Finance costs		**15,825,261**	16,878,659
Share of results of associates	9	**4,054**	1,630,074
Foreign exchange loss (gain)		**246,850**	(12,494)
End of service benefit charge for the year		**882,304**	706,294
		21,965,069	19,103,818
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other assets		**(9,072,826)**	(5,410,378)
Properties held for trading		**(1,163,922)**	1,573,622
Accounts payable, accruals and other payables		**9,258,591**	2,226,554
End of service benefit paid		**(437,514)**	(255,551)
Net cash from operating activities		**20,549,398**	17,238,065
INVESTING ACTIVITIES			
Additions and capital contribution in investment in associates	9	**(6,874,112)**	(5,759,525)
Additions to lands for development	10	**(30,350)**	(194,577)
Additions to developed properties	10	**(302,557)**	(582,907)
Payments for properties under construction	10	**(9,155)**	(206,112)
Purchase of property and equipment	11	**(2,701,676)**	(3,450,992)
Additions to intangible assets		**-**	(553,373)
Additions to loan to an associate		**(1,483,974)**	(1,784,672)
Acquisition of additional equity interest in a subsidiary	9	**-**	(8,572,100)
Proceed from disposal of property and equipment		**28,222**	769,290
Proceeds from disposal of investment properties		**739,337**	15,839,322
Interest income received		**-**	15,887
Dividends received		**6,374**	22,125
Net cash used in investing activities		**(10,627,891)**	(4,457,634)
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		**67,664,317**	55,881,324
Repayment of interest bearing loans and borrowings		**(72,316,978)**	(46,886,671)
Proceeds from issuance of bond		**-**	60,000,000
Repayment of bond		**-**	(60,000,000)
Finance costs paid		**(15,800,664)**	(16,878,659)
Net cash used in financing activities		**(20,453,325)**	(7,884,006)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(10,531,818)**	4,896,425
Foreign currency translation adjustments		**(406,129)**	(939,236)
Cash and cash equivalents at the beginning of the year		**7,699,766**	3,742,577
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**(3,238,181)**	7,699,766

The attached notes 1 to 31 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 Boursa Kuwait. The address of the Parent Company's registered office is P.O. Box 2232 Safat, 13023 - State of Kuwait.

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue by the Board of Directors of the Parent Company on 2 April 2020 and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company. The shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 STATEMENT OF COMPLIANCE

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the adoption of IFRS 16: Leases ("IFRS 16")

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

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

The Group adopted IFRS 16 using the modified retrospective method and accordingly, the comparative information is not restated with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group's accounting policies for right-of-use assets and lease liabilities is explained in Note 2.5.

The Group has lease contracts for various items of land and building, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent is recognised under 'Accounts receivable, prepayments and other assets' and 'Accounts payable, accruals and other payables', respectively.

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

The Group has concluded that there is no effect of adoption of IFRS 16 to the consolidated financial statements as the Group has applied the available practical expedients wherein it availed the short-term leases and low-value assets exemptions for its lease arrangements and accordingly, the Group has not recognised any lease liabilities to make lease payments or right-of-use assets representing the right to use the underlying assets.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no significant impact on the consolidated financial statements.

Annual improvements 2015-2017 cycle
IAS 12: Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to shareholders. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23: Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3: Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Parent Company) including special purpose entities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. All inter-group balances and transactions, including inter-group profits and unrealised profits and losses and dividends are eliminated on consolidation.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
The principal subsidiaries of the Group are as follows:

Name of company	*Equity interest as at 31 December* 2019	2018	*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
United Building Company Egypt, S.A.E.	**100%**	100%	Egypt	Real estate development
United Real Estate Holding for Financial Investments S.A.E.	**100%**	100%	Egypt	Holding
United Real Estate Jordan P.S.C.	**100%**	100%	Jordan	Real estate development
United Areej Housing Company W.L.L.	**100%**	100%	Jordan	Real estate development
United Real Estate Company W.L.L.	**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	Holding
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	Holding
Universal United Real Estate W.L.L.	**63%**	63%	Kuwait	Real estate development
Dhow Holdings Limited	**100%**	100%	Isle of Man	Holding
Greenwich Quay Limited	**100%**	100%	Isle of Man	Real estate development
Held through United Real Estate Holding for Financial Investments S.A.E.				
United Ritaj for Touristic investment S.A.E. (Closed)	**100%**	100%	Egypt	Touristic development
Manazel United for Real Estate Investment Company S.A.E. (Note 26 (a))	**91.49%**	91.49%	Egypt	Real estate development
Areej United for Agricultural Investment Co.	**100%**	100%	Egypt	Agriculture
Aswar United Real Estate Company S.A.E.	**100%**	100%	Egypt	Real estate development
Held through United International Project Management Company W.L.L.				
Egypt United Project Management Co. WLL	**100%**	100%	Egypt	Facilities management
Held through Al Dhiyafa Holding Company K.S.C. (Closed)				
Al Dhiyafa – Lebanon SAL (Holding Company)	**100%**	100%	Lebanon	Holding
Gulf Egypt Hotels and Tourism S.A.E. (2)	**85.9%**	85.9%	Egypt	Real estate development
Bhamdoun United Real Estate Company SAL (1)	**75%**	75%	Lebanon	Hotel management
Raouche Holding SAL (1)	**55%**	55%	Lebanon	Holding
United Lebanese Real Estate Company SAL (owned by Raouche Holding SAL)	**100%**	100%	Lebanon	Real estate development
Held through United Real Estate Jordan P.S.C.				
Abdali Mall Company P.S.C.	**100%**	100%	Jordan	Real estate development
Held through United Facilities Management Company S.A.K.				
United Facilities Management L.L.C.	**100%**	100%	Oman	Facilities management
United Arab Facility Management L.L.C.	**100%**	100%	Jordan	Facilities management
UFM for Cleaning and Technical Services L.L.C.	**100%**	100%	UAE	Technical Services and Cleaning
UFM Facilities Management Services L.L.C.	**100%**	100%	UAE	Services Facilities
ABM1 Building Maintenance L.L.C.	**100%**	100%	UAE	Buildings Service and management

(1) The Parent Company holds 45% in Raouche Holding SAL and 25% in Bhamdoun United Real Estate SAL through United Lebanese Real Estate Company SAL (Holding).
(2) The Parent Company holds directly 14.1% in Gulf Egypt Hotels and Tourism S.A.E.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
i) Financial assets (continued)
Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test) (continued)
The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

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

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

b. Interest bearing loans
After initial recognition, interest bearing loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. An analysis of fair values of financial instruments and and non-financial assets and further details as to how they are measured are provided in Note 10, Note 11 and Note 28.

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method. Under the equity method, the investment in the associate is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

United Real Estate Company S.A.K.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)
Revenue from contracts with customers (continued)
c. Determining the timing of satisfaction of services (continued)
ii. Construction and property development operations (continued)
The Group has determined to utilize the input method for measuring progress of such services because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on these services on the basis of the costs incurred relative to the total expected costs to complete the performance obligations. The Group assesses the percentage of costs incurred as a proportion to the total estimated costs relative to each contract in order to determine the revenues to be recognised to date and accounting for the estimated margin for the entire term of the contract.

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

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

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

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

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

Classification of property
The Group determines whether a property is classified as investment property or property held for trading:
- Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Properties held for trading comprise property that is held for sale in the ordinary course of business.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

3 MATERIAL PARTLY-OWNED SUBSIDIARIES

The Group has concluded that as at the reporting date, Al Dhiyafa Holding Company K.S.C. (Closed) ("Al Dhiyafa") is the only subsidiary with non-controlling interests that is material to the Group. The summarised financial information of Al Dhiyafa, before inter-company eliminations, is provided below:

	2019	*2018*
	KD	*KD*
Summarised statement of income		
Revenues	**13,028,179**	13,665,316
Profit (Loss) for the year	**1,591,205**	(62,748)
Loss attributable to non-controlling interests	**(2,095)**	(150,988)
Summarised statement of financial position		
Total assets	**108,446,487**	107,478,677
Total liabilities	**(47,331,447)**	(47,846,697)
Total equity	**61,115,040**	59,631,980
Accumulated balances of non-controlling interests	**19,511,686**	19,239,857

3 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

	2019 KD	*2018 KD*
Summarised cash flow information		
Operating	**1,616,523**	7,910,649
Investing	**644,353**	528,935
Financing	**(7,120,939)**	(6,532,611)
Net (decrease) increase in cash and cash equivalents	**(4,860,063)**	1,906,973

4 CASH, BANK BALANCES AND SHORT TERM DEPOSITS

	2019 KD	*2018 KD*
Cash at banks and on hand	**9,420,826**	17,557,205
Short term deposits	**385,501**	1,879,509
Cash, bank balances and short term deposits	**9,806,327**	19,436,714
Less: Bank overdraft (Note 13)	**(13,044,508)**	(11,736,948)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**(3,238,181)**	7,699,766

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 1,322,615 (2018: KD 8,664,419) are placed with related parties (Note 24).

5 PROVISION FOR A LEGAL CASE

During the current year, the Group recorded a provisional loss of KD 5,409,224 that was charged to the consolidated statement of income relating a legal dispute between the Group's subsidiary Al Reef Real Estate Company S.A.O. (Closed) and its contractor towards a conflict of various claims and related adjustments (Note 26 (c)).

6 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

	2019 KD	*2018 KD*
Accounts receivables	**49,694,010**	43,706,849
Accrued rental and hospitality income	**1,114,497**	371,551
Due from related parties (Note 24)	**4,036,828**	4,554,092
Prepayments	**761,315**	1,031,245
Other receivables	**5,864,890**	5,377,088
	61,471,540	55,040,825
Allowance for expected credit losses	**(5,102,800)**	(5,275,992)
	56,368,740	49,764,833

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6 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS (continued)

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

	2019 KD	*2018 KD*
As at 1 January	**5,275,992**	2,135,313
Impact on recognition of ECL on financial assets at 1 January	**-**	1,635,764
As at 1 January (restated)	**5,275,992**	3,771,077
Expected credit losses for the year	**1,146,927**	1,504,915
Written off	**(1,320,119)**	-
As at 31 December	**5,102,800**	5,275,992

7 PROPERTIES HELD FOR TRADING

	2019 KD	*2018 KD*
As at 1 January	**57,802,898**	58,639,720
Additions during the year	**3,511,491**	3,980,710
Impairment of properties held for trading	**(300,820)**	-
Disposals	**(1,845,567)**	(5,788,482)
Foreign exchange difference	**1,913,727**	970,950
As at 31 December	**61,081,729**	57,802,898

The accumulated capitalised finance costs included in the carrying value of properties held for trading (under construction) is KD 161,893 (2018: KD 2,696,651). The rate used to determine the amount of borrowing costs eligible for capitalization was 14% (2018: 5.86%). During the current year, finance costs of KD 24,597 were capitalised to the properties held for trading (2018: Nil).

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 KD	*2018 KD*
Quoted equity shares	**158,848**	140,070
Unquoted equity shares	**3,830,427**	4,209,072
Financial assets at fair value through other comprehensive income	**3,989,275**	4,349,142

Investments with aggregate carrying amounts of KD 2,352,577 (2018: KD 2,379,285) represent investments in related parties (Note 24) and investments with aggregate carrying amounts of KD 1,441,209 (2018: KD 1,664,032) are managed by a related party (Note 24).

9 INVESTMENT IN ASSOCIATES

Name of company	*Country of Incorporation*	*Equity interest*		*Carrying value*	
		2019	2018	***2019 KD***	*2018 KD*
Kuwait Hotels Company K.S.C.(a)	Kuwait	**29.97%**	29.97%	**1,361,060**	1,552,023
Dar SSH International Engineering Consultants Co. W.L.L.	Bahrain	**29.03%**	29.03%	**-**	253,665

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9 INVESTMENT IN ASSOCIATES (continued)

Name of company	*Country of Incorporation*	*Equity interest*		*Carrying value*	
		2019	*2018*	***2019***	*2018*
		KD	*KD*	***KD***	*KD*
Al Thaniya Real Estate Company P.S.C.	Jordan	**50.00%**	50.00%	**7,600**	9,133
Al-Fujeira Real Estate Limited	United Arab Emirates	**50.00%**	50.00%	**6,527,675**	6,266,294
United Towers Holding Company K.S.C. (Closed)	Kuwait	**40.08%**	40.08%	**27,416,839**	26,198,360
Ikarus United for Marine Services Company S.A.K. (Closed)	Kuwait	**20.00%**	20.00%	**713,898**	708,151
Assoufid B.V.	Netherlands	**49.00%**	49.00%	**-**	-
Insha'a Holding Company K.S.C.C.	Kuwait	**40.00%**	40.00%	**6,249,799**	5,885,985
Mena Homes Real Estate Company K.S.C. (Closed) (b)	Kuwait	**33.33%**	33.33%	**14,808,260**	9,571,715
				57,085,131	50,445,326

(a) The associate is quoted on Kuwait Stock Exchange, with a market value of KD 1,691,024 (2018: KD 2,056,304).

(b) During the year, Mena Homes Real Estate Company K.S.C. (Closed) ("Mena Homes") an associate, increased its capital through additional capital contribution to which the Group contributed an amount of KD 6,874,112.

(c) During the previous year, the Group entered into a share purchase agreement ("SPA") with Abdalli Investment and Development Company P.S.C. ("AID") for the sale of its 40% equity interest in the associate Abdali Boulevard Company P.S.C. ("ABC") and acquisition of 40% equity interest in Abdalli Mall Company ("AMC") with an additional cash consideration of KD 8,572,100.

The value of investment in ABC at the transaction date was determined to be KD 33,859,795 resulting in a loss of KD 270,332 representing the difference between the carrying value of the investment in the associate and the fair value of Group's equity interest in the associate at the date of disposal. Upon disposal of investment in ABC, the Group has reclassified its related foreign currency translation gain amounting to KD 438,055 from reserve to consolidated income statement and accordingly, the Group reported a net gain on disposal of investment in the associate of KD 167,723.

Furthermore, as a result of abovementioned transaction, the Group acquired additional 40% equity interest in AMC. Upon acquisition of additional 40% interest in AMC, the Group recognised KD 16,509,320 in other reserves representing the excess consideration over the non-controlling interest of ABC.

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

	2019	*2018*
	KD	*KD*
At the beginning of the year	**50,445,326**	77,960,687
Impact on adoption of IFRS 9 by an associate at 1 January 2019	**-**	(358,161)
As at 1 January (restated)	**50,445,326**	77,602,526
Additions and capital contributions during the year (b)	**6,874,112**	5,759,525
Transfer from accounts receivable, prepayments and other assets	**-**	3,951,114
Disposals during the year (c)	**-**	(34,130,128)
Share of results	**(4,054)**	(1,630,074)
Foreign exchange differences	**(230,253)**	(1,107,637)
At 31 December	**57,085,131**	50,445,326

As at 31 December 2019, interest bearing loan provided by the Group to Assoufid B.V. amounted to KD 18,474,047 (2018: KD 16,898,333) (Note 24) and is maturing on 1 January 2036.

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9 INVESTMENT IN ASSOCIATES (continued)

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

	UTHC		*Mena Homes*		*Others*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Summarised statement of financial position :						
Non-current assets	**132,533,597**	129,411,504	**81,219,083**	87,666,389	**137,259,426**	92,054,027
Current assets	**1,704,089**	2,962,490	**46,291,964**	49,352,182	**32,449,814**	19,874,375
Non-current liabilities	**(61,637,693)**	(66,474,261)	**(70,146,178)**	(53,962,902)	**(128,334,376)**	(59,410,849)
Current liabilities	**(4,197,755)**	(501,929)	**(12,940,089)**	(54,340,366)	**(6,316,219)**	(12,745,174)
Equity	**68,402,238**	65,397,804	**44,424,780**	28,715,303	**35,058,645**	39,772,379
Proportion of the Group's ownership	**40.08%**	40.08%	**33.33%**	33.33%		
Group's share in the net assets	**27,416,839**	26,198,360	**14,808,260**	9,571,715	**14,860,032**	14,675,251
Summarised statement of income:						
Revenues	**8,327,539**	6,797,627	**118,969**	10,962	**57,109,623**	53,413,666
Profit (loss) for the year	**3,011,210**	1,969,099	**(4,912,858)**	1,921,032	**(3,272,923)**	(3,751,384)
Group's share in profit (loss) for the year	**1,206,944**	788,821	**(1,420,237)**	640,280	**209,239**	(1,682,015)

10 INVESTMENT PROPERTIES

	2019 *KD*	*2018* *KD*
Land for development (a)	**72,918,294**	74,721,807
Investment properties under construction (b)	**11,479,339**	11,444,211
Developed properties (c)	**193,099,699**	192,456,352
	277,497,332	278,622,370

Valuation of lands for development, investment properties under construction and developed properties were conducted as at 31 December 2019 by independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment property being valued. The discounted future cash flow method or property market value method have been used for developed properties as deemed appropriate considering the nature and usage of the property. The fair value of lands for development and investment property under construction has been determined through market value method or depreciation cost replacement method.

a) Land for development

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

	2019 *KD*	*2018* *KD*
As at 1 January	**74,721,807**	74,816,622
Additions	**30,350**	194,577
Disposals	**(835,471)**	(718,900)
Valuation (loss) gain	**(1,402,100)**	170,992
Foreign exchange differences	**403,708**	258,516
As at 31 December	**72,918,294**	74,721,807

Land for development include a plot of land in Sharm El Sheikh, Egypt amounting to KD 15,741,876 (2018: KD 15,721,738) 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

	2019 *KD*	*2018* *KD*
As at 1 January	**11,444,211**	11,199,212
Capital expenditure	**9,155**	206,112
Foreign exchange differences	**31,459**	25,017
Valuation (loss) gain	**(5,486)**	13,870
As at 31 December	**11,479,339**	11,444,211

c) Developed properties

	2019 *KD*	*2018* *KD*
Developed land and buildings:		
Developed land and buildings	**99,285,698**	98,885,610
Buildings constructed on land leased from the Government	**93,814,001**	93,570,742
	193,099,699	192,456,352

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

10 INVESTMENT PROPERTIES (continued)

The movement during the year was as follows:

	2019 *KD*	*2018* *KD*
As at 1 January	**192,456,352**	208,611,771
Additions	**302,557**	582,907
Disposal of investment properties	**-**	(13,797,582)
Valuation gain (loss)	**464,840**	(3,470,246)
Foreign exchange differences	**(124,050)**	529,502
As at 31 December	**193,099,699**	192,456,352

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:

	2019 *KD*	*2018* *KD*
Opening balance	**278,622,370**	294,627,605
Additions and capital expenditures	**342,062**	983,596
Disposals and transfers	**(835,471)**	(14,516,482)
Valuation loss	**(942,746)**	(3,285,384)
Foreign exchange differences	**311,117**	813,035
Closing balance	**277,497,332**	278,622,370

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

	2019 *%*	*2018* *%*
Average net initial yield	**9.50**	9.50
Average reversionary yield	**10.75**	10.75
Average inflation rate	**3.50**	3.50
Long-term vacancy rate	**10.00**	10.00
Long-term growth in real rental rates	**3.25**	3.25

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10 INVESTMENT PROPERTIES (continued)

Sensitivity analysis

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

Significant unobservable inputs	***Sensitivity***	***Impact on fair value***	
		2019 ***KD***	*2018* *KD*
Average net initial yield	+/- 1%	**1,420,330** **(1,374,830)**	1,630,210 (1,594,472)
Average reversionary yield	+/- 1%	**2,968,468** **(2,798,640)**	3,104,556 (2,908,473)
Average inflation rate	+/- 25 basis points	**1,523,792** **(1,098,720)**	1,648,376 (1,237,340)
Long-term vacancy rate	+/- 1%	**1,775,820** **(1,656,730)**	1,832,539 (1,789,285)
Long-term growth in real rental rates	+/- 1%	**1,635,920** **(1,834,640)**	1,734,659 (1,935,729)

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11 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 2019	55,452,290	91,742,720	12,495,600	3,417,479	8,004,773	1,351,362	2,719,977	**175,184,201**
Additions	-	295,173	1,285,871	241,460	319,829	431,708	127,635	**2,701,676**
Revaluation adjustment	-	1,364,390	-	-	-	-	-	**1,364,390**
Disposal	-	-	(29,787)	(53,031)	(1,488)	(68,229)	-	**(152,535)**
Exchange adjustment	(168,547)	(137,361)	(34,917)	(22,511)	(37,824)	(4,175)	-	**(405,335)**
As at 31 December 2019	55,283,743	93,264,922	13,716,767	3,583,397	8,285,290	1,710,666	2,847,612	**178,692,397**
Depreciation:								
As at 1 January 2019	-	(19,142,749)	(7,398,493)	(3,273,462)	(7,377,298)	(517,659)	-	**(37,709,661)**
Charge for the year	-	(2,263,891)	(1,048,194)	(237,641)	(923,166)	(273,298)	-	**(4,746,190)**
Disposal	-	-	29,787	44,125	1,488	60,289	-	**135,689**
Exchange adjustment	-	84,806	32,945	19,606	14,045	1,930	-	**153,332**
As at 31 December 2019	-	(21,321,834)	(8,383,955)	(3,447,372)	(8,284,931)	(728,738)	-	**(42,166,830)**
Net carrying amount								
As at 31 December 2019	**55,283,743**	**71,943,088**	**5,332,812**	**136,025**	**359**	**981,928**	**2,847,612**	**136,525,567**

United Real Estate Company S.A.K.P. and Subsidiaries
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11 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 2018	10,146,556	78,511,971	10,925,463	3,134,465	7,474,424	962,875	2,059,148	113,214,902
Additions	-	209,987	1,450,011	254,558	462,873	438,646	634,917	3,450,992
Revaluation adjustment	45,939,496	12,224,184	-	-	-	-	-	58,163,680
Disposal	(751,815)	-	-	(270)	(4,655)	(55,611)	-	(812,351)
Exchange adjustment	118,053	796,578	120,126	28,726	72,131	5,452	25,912	1,166,978
As at 31 December 2018	55,452,290	91,742,720	12,495,600	3,417,479	8,004,773	1,351,362	2,719,977	175,184,201
Depreciation:								
As at 1 January 2018	-	(17,063,689)	(6,479,672)	(3,010,961)	(6,178,521)	(377,609)	-	(33,110,452)
Charge for the year	-	(1,927,073)	(848,504)	(236,618)	(1,137,803)	(193,621)	-	(4,343,619)
Disposal	-	-	-	270	4,410	55,610	-	60,290
Exchange adjustment	-	(151,987)	(70,317)	(26,153)	(65,384)	(2,039)	-	(315,880)
As at 31 December 2018	-	(19,142,749)	(7,398,493)	(3,273,462)	(7,377,298)	(517,659)	-	(37,709,661)
Net carrying amount								
As at 31 December 2018	55,452,290	72,599,971	5,097,107	144,017	627,475	833,703	2,719,977	137,474,540

The fair value of the freehold land and building was determined using the market comparable method. The valuations have been performed by an independent valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. The unit of comparison applied by the Group is the price per square meter ('sqm'). As at the reporting date, a gain from the revaluation of the freehold land and buildings of KD 1,364,390 (2018: KD 58,163,680), related deferred tax adjustment arising on the revaluation gain of KD 252,249 (2018: KD 13,062,383), share of non-controlling interest of KD 88,465 (2018: KD 7,304,775) and exchange difference on translation of foreign operations of KD 9,044 (2018: KD Nil) was recognised in other comprehensive income.

Significant unobservable valuation input
As at 31 December 2019, range of average market price for the freehold land and buildings (per square metre) used by the valuer is KD 1,025 (2018: KD 1,020). Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

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11 PROPERTY AND EQUIPMENT (continued)

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

	2019 KD	*2018 KD*
Cost of revenue		
Contracting and services cost	**1,135,834**	550,761
Depreciation of hotels	**3,294,077**	3,479,217
Operational expenses		
Depreciation of property and equipment	**316,279**	313,641
	4,746,190	4,343,619

12 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	2019 KD	*2018 KD*
Rent received in advance	**1,001,900**	915,708
Accounts payable	**54,394,573**	42,326,798
Refundable deposits	**5,546,118**	5,574,693
Due to related parties (Note 24)	**2,152,214**	1,365,691
Other payables	**19,901,868**	19,057,998
	82,996,673	69,240,888

13 INTEREST BEARING LOANS AND BORROWINGS

	2019 KD	*2018 KD*
Loans	**224,221,091**	228,873,752
Bank overdrafts	**13,044,508**	11,736,948
	237,265,599	240,610,700

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

	Current portion KD	*Non-current portion KD*	*Total 2019 KD*	*Total 2018 KD*
Bank overdrafts (Note 4)	13,044,508	-	**13,044,508**	11,736,948
Short term loans	56,790,218	-	**56,790,218**	110,236,763
Term loans	27,816,584	139,614,289	**167,430,873**	118,636,989
	97,651,310	139,614,289	**237,265,599**	240,610,700

Term loans are obtained for varying periods ranging from one year to ten years and carry interest rates ranging from 4% to 16.85% (2018: 4% to 19.07%).

As at 31 December 2019, the Group's short term loans and overdrafts amounting to KD 69,834,726 (31 December 2018: KD 121,973,711) are renewable on a yearly basis.

Interest bearing loans and borrowings amounting to KD 59,350,416 (2018: KD 46,435,422) are due to related parties (Note 24).

13 INTEREST BEARING LOANS AND BORROWINGS (continued)

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 2019 KD***	*Total 2018 KD*
US Dollar	6,550,444	27,900,947	**34,451,391**	39,592,719
Omani Riyal	613,640	10,656,083	**11,269,723**	4,114,736
Egyptian Pound	94,603	-	**94,603**	1,876,509
Kuwaiti Dinar	90,392,623	101,057,259	**191,449,882**	195,026,736
	97,651,310	139,614,289	**237,265,599**	240,610,700

Included in interest bearing loans are loans amounting to KD 57,025,329 (2018: KD 56,295,985) which are obtained and availed by subsidiaries in the Group.

14 BONDS

	2019 KD	*2018 KD*
On 19 April 2019, the Parent Company issued unsecured bonds in the principal amount of KD 60,000,000 composed of bonds in two series as follows:		
• Due on 19 April 2023, carrying interest at a fixed rate of 5.75% per annum payable quarterly in arrears.	**32,150,000**	32,150,000
• Due on 19 April 2023, carrying interest at a variable rate of 2.50% over the Central Bank of Kuwait discount rate payable quarterly in arrears.	**27,850,000**	27,850,000
	60,000,000	60,000,000

15 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2019, the Parent Company's authorised, issued and fully paid share capital consists of 1,187,974,420 shares of 100 fils each (2018: 1,187,974,420 shares of 100 fils each) which is fully paid in cash.

The share premium is not available for distribution.

16 STATUTORY RESERVE

In accordance with the Companies' Law, as amended, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No such transfer is made at 31 December 2019 due to losses incurred by the Parent company.

17 VOLUNTARY RESERVE

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

18 TREASURY SHARES

	2019	*2018*
Number of treasury shares	**113,669,873**	113,669,873
Percentage to issued shares	**9.568%**	9.568%
Market value in KD	**6,990,697**	6,820,192
Cost in KD	**14,478,743**	14,478,743

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

19 INVESTMENT INCOME

	2019 KD	*2018 KD*
Dividend income	**6,374**	22,125
Other investment loss	**(719)**	(11,920)
	5,655	10,205

20 GENERAL AND ADMINISTRATIVE EXPENSES

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

	2019 KD	*2018 KD*
Wages and salaries	**3,548,906**	3,589,791
Post-employment benefits	**642,000**	770,204
	4,190,906	4,359,995

Wages, salaries and post-employment benefits charged to cost of revenue amounts to KD 15,519,242 (2018: KD 13,457,963).

21 TAXATION

	2019 KD	*2018 KD*
Contribution to KFAS	-	-
NLST	-	-
Zakat	-	-
Taxation on overseas subsidiaries		
Current tax	**244,371**	123,133
Deferred tax	**1,280,005**	269,329
	1,524,376	392,462

The tax rate applicable to the taxable overseas subsidiaries companies is in the range of 10% to 22.5% (2018: 10% to 22.5%). For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies jurisdiction.

21 TAXATION (continued)

The deferred tax liabilities relate to the following:

	2019 ***KD***	*2018* *KD*
Revaluation of investment properties to fair value	**(11,853,006)**	(11,705,103)
Revaluation of property and equipment to fair value	**(13,141,639)**	(13,062,383)
Deferred tax – relating to origination and reversal of temporary differences	**(6,975,514)**	(5,329,604)
Deferred tax liabilities	**(31,970,159)**	(30,097,090)

The reconciliation of deferred tax liabilities is detailed as followed:

	2019 ***KD***	*2018* *KD*
As at 1 January	**(30,097,090)**	(16,740,732)
Expense for the year	**(1,280,005)**	(269,329)
Deferred tax adjustment on revaluation of property and equipment to fair value taken to other comprehensive income	**(252,249)**	(13,062,383)
Foreign exchange differences	**(340,815)**	(24,646)
As at 31 December	**(31,970,159)**	(30,097,090)

22 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss 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 loss per share is calculated by dividing the loss 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 loss earnings.

Basic loss per share

	2019 ***KD***	*2018* *KD*
Losses		
Loss for the year attributable to the equity holders of the Parent Company	**(7,222,196)**	(8,994,266)
	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)**	(113,669,873)
Weighted average number of shares outstanding for basic earnings per share	**1,074,304,547**	1,074,304,547
Loss earnings per share attributable to equity holders of the Parent Company	**(6.72) fils**	(8.37) fils

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22 BASIC AND DILUTED LOSS PER SHARE (continued)

Dilutive loss per share

	2019 ***KD***	*2018* *KD*
Losses		
Loss for the year attributable to the equity holders of the Parent Company	**(7,222,196)**	(8,994,266)
Number of shares outstanding	***Shares***	*Shares*
Weighted average number of shares outstanding for basic earnings per share	**1,074,304,547**	1,074,304,547
Effect of share options	**-**	12,000
Weighted average number of shares outstanding for diluted earnings per share	**1,074,304,547**	1,074,316,547
Loss per share attributable to equity holders of the Parent Company	**(6.72) fils**	(8.37) fils

23 DIVIDEND

During the board meeting held on 2 April 2020, the Board of Directors of the Parent Company has not proposed any cash dividend for the distribution to the shareholders. This proposal is subject to the approval by the Shareholders' Annual General Assembly.

The shareholders' annual general assembly held on 29 April 2019 approved the audited consolidated financial statements of the Group for the year ended 31 December 2018. The shareholders' annual general assembly had approved to not distribute any dividend or bonus shares (31 December 2017: Nil).

24 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*	***2019*** ***KD***	*2018* *KD*
Consolidated statement of financial position					
Cash and short-term deposits (Note 4)	-	-	1,322,615	**1,322,615**	8,664,419
Accounts receivable, prepayments and other assets (Note 6)	186,673	536,591	3,313,564	**4,036,828**	4,554,092
Financial assets at fair value through other comprehensive income (Note 8)	-	-	2,352,577	**2,352,577**	2,379,285
Loan to an associate (Note 9)	-	18,474,047	-	**18,474,047**	16,898,333
Accounts payable, accruals and other payables (Note 12)	10,350	-	2,141,864	**2,152,214**	1,365,691
Interest bearing loans and borrowings (Note 13)	-	-	59,350,416	**59,350,416**	46,435,422
Consolidated income statement					
Property operating costs	-	-	89,005	**89,005**	109,767
General and administrative expenses	-	207,684	96,772	**304,456**	255,810
Finance costs	-	-	2,661,179	**2,661,179**	1,081,333
Rental income	-	2,400	-	**2,400**	2,400
Interest income	-	169,799	-	**169,799**	165,052
Other operating revenue	-	941,687	-	**941,687**	1,201,770
Contracting and services revenue	-	1,221,079	-	**1,221,079**	1,170,214

24 RELATED PARTY TRANSACTIONS (continued)

Certain investments with carrying value of KD 1,441,209 (2018: KD 1,664,032) are managed by a related party (Note 8).

Key management personnel compensation

	2019 *KD*	*2018* *KD*
Salaries and short-term employee benefits	**684,006**	714,744
End of service benefits	**92,930**	96,235
	776,936	810,979

25 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities
At 31 December 2019 the Group had contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 10,915,204 (31 December 2018: KD 14,935,789).

Capital commitments
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 525,961 (31 December 2018: KD 2,817,203) and in respect of property held for trading amounting to KD 5,915,898 (31 December 2018: KD 2,993,112).

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:

	2019 *KD*	*2018* *KD*
Within one year	**30,728,486**	21,342,920
After one year but not more than three years	**55,165,961**	37,786,517
	85,894,447	59,129,437

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:

	2019 *KD*	*2018* *KD*
Within one year	**1,994,705**	1,994,015
After one year but not more than three years	**1,291,821**	1,287,699
	3,286,526	3,281,714

26 LEGAL CASES

(a) On 16 April 2014, the Group entered into an agreement with Al Agha family ("buyer") for disposal of certain shares in a subsidiary; Manazel United for Real Estate Investment Company S.A.E. ("Manazel"). However, no considerations as per the agreement were paid by the buyer and accordingly the agreement was deemed void by the Group.

26 LEGAL CASES (continued)

(a) Consecutively, multiple suits were filed against the Group and other shareholders of Manazel in respect to the dispute, claiming rights to the shares of Manazel. During prior years, lower court decisions were in favour of the Group and the other Manazel shareholders, however, during the previous year, the rulings of lower courts were overturned by the court of cassation on 71.3% equity interest of the Group in Manazel.

However, as per the legal counsel of the Group, the provision of the repeal issued and validity and the effectiveness of contracts for the sale issued by the court of cassation is contrary to the previous rulings in similar cases issued by the court of cassation itself. Additionally, the judgment involving the final rulings may be reconsidered as the Group believes that there is sufficient evidence of counterfeiting of documentation submitted by the counter-party and, consequently, the legal counsel believes that the decisions of the court of cassation will be overturned.

Notwithstanding the above, management had recorded a provisional loss of KD 1,982,349 as at 31 December 2019 relating to the potential loss of equity interest in Manazel (31 December 2018: KD 1,982,349). The legal counsel of the Group believes that this matter will not have a material adverse effect on the consolidated financial statements.

Furthermore, as per the legal counsel of the Group, despite losing a substantial portion of equity interest in Manazel, the Group has the control on Manazel as it is not yet transferred to buyer.

(b) The Group has certain fully depreciated assets as at 31 December 2019 (31 December 2018: Nil) which represent Built-Own-Transfer (BOT) projects for the construction of certain properties (the "Properties"). These Properties were built on certain leasehold lands from the Ministry of Finance ("MOF") for an initial period of 25 years which was then extended for additional 10 years. Upon expiry of the renewed lease term, MOF had not extended the lease periods and filed legal cases against the Group to evacuate the Properties and for additional rentals. The Group has filed counter legal cases against MOF to renew the lease period. As per the legal counsel, the Group is entitled for the renewal of the lease period based on the original terms of the contracts with MOF. The Group is still managing the operations of the Properties as legal cases are under consideration of the court of cassation. As per the legal counsel, the Group is entitled to revenues arising from the Properties until final ruling is made and repossession effected. Accordingly, revenue from the Properties and related operational costs have been recognised by the Group in the consolidated income statement amounting to KD 3,221,394 (31 December 2018: KD 3,036,488) and KD 2,437,888 (31 December 2018: KD 1,954,502) respectively.

(c) The Group's subsidiary Al Reef Real Estate Company S.A.O. (Closed) entered a legal dispute with a contractor towards a conflict of various claims and related adjustments. On 29 April 2019, the first-degree court declared the outcome in favour of the contractor that was appealed by the Group and subsequent to the reporting date, on 2 February 2020, the second-degree court upheld the decision, ruling in favour of the contractor and a final arbitration award was issued against the Group requiring it to pay an amount of OMR 7,815,464 (equivalent to KD 6,164,472) to the contractor, as well as an interest of 7% up to the date of payment.

Accordingly, as at 31 December 2019, the Group reported a provisional liability of KD 7,122,141 representing a provisional loss of KD 5,409,224 that was charged to the consolidated statement of income and a liability of KD 1,712,917 that was recorded in the previous years representing the Group's claim on a performance bond and retention.

Furthermore, subsequent to the reporting date, the Group signed an amicable settlement agreement with the contractor for an amount of OMR 8 million that is valid till 5 April 2020.

(d) During the previous periods, a legal dispute was established against a Hotel Operator claiming breach of certain terms of the management between the two parties related to management of its hospitality operations in Egypt. During the current year, the two parties reached to an amicable settlement of the legal dispute through an award of USD 3,750 thousand (equivalent to KD 1,137 thousand) which is received in full and recognised as other income in the consolidated statement of income of the Group.

27 SEGMENT INFORMATION

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

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

The Group has following reportable segments:

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

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

	Rental operations KD	*Hospitality operations KD*	*Property trading KD*	*Contracting and services KD*	*Real estate development KD*	*Total KD*
31 December 2019						
Segment revenues	24,856,506	17,488,643	2,347,569	69,150,630	-	**113,843,348**
Segment results	(5,419,710)	1,418,984	201,182	1,681,783	(3,282,677)	**(5,400,438)**
Unallocated expenses						**(1,524,376)**
Loss for the year						**(6,924,814)**
Segment assets	235,418,413	137,930,691	61,081,729	51,132,450	103,209,176	**588,772,459**
Unallocated assets						**33,980,347**
Total assets						**622,752,806**
Segment liabilities	254,811,498	13,734,463	5,916,882	40,166,886	5,272,265	**319,901,994**
Unallocated liabilities						**92,330,437**
Total liabilities						**412,232,431**
Other segmental information						
Valuation (loss) gain on investment properties	464,840	-	-	-	(1,407,586)	**(942,746)**
Share of results of associates	1,471,216	(165,183)	-	363,815	(1,673,902)	**(4,054)**
Investment in associates	34,666,012	1,361,060	-	6,249,799	14,808,260	**57,085,131**

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27 SEGMENT INFORMATION (continued)

	Rental operations KD	*Hospitality operations KD*	*Property trading KD*	*Contracting and services KD*	*Real estate development KD*	*Total KD*
31 December 2018						
Segment revenues	25,327,462	17,855,647	5,554,332	54,739,268	-	103,476,709
Segment results	(9,454,034)	570,758	(227,858)	2,271,973	(713,408)	(7,552,569)
Unallocated expenses						(1,360,679)
Loss for the year						(8,913,248)
Segment assets	194,040,082	138,266,853	57,802,898	48,554,555	95,737,731	534,402,119
Unallocated assets						82,429,470
Total assets						616,831,589
Segment liabilities	188,429,452	28,207,320	6,343,839	37,007,269	20,082,807	280,070,687
Unallocated liabilities						119,877,991
Total liabilities						399,948,678
Other segmental information						
Valuation (loss) gain on investment properties	(3,455,201)	-	-	-	169,817	(3,285,384)
Share of results of associates	(1,560,761)	(48,484)	-	209,038	(229,867)	(1,630,074)
Investment in associates	42,744,520	1,552,023	-	5,885,985	262,798	50,445,326

Disaggregated revenue information

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

	Rental operations KD	*Hospitality operations KD*	*Property trading KD*	*Contracting and services KD*	*Real estate development KD*	*Total KD*
31 December 2019						
Timing of revenue recognition						
Services performed at a point in time	3,685,725	17,488,643	2,347,569	-	-	**23,521,937**
Services performed over time	21,170,781	-	-	69,150,630	-	**90,321,411**
Total revenue from contracts with customers	**24,856,506**	**17,488,643**	**2,347,569**	**69,150,630**	-	**113,843,348**
31 December 2018						
Timing of revenue recognition						
Services performed at a point in time	4,126,878	17,855,647	5,554,332	-	-	27,536,857
Services performed over time	21,200,584	-	-	54,739,268	-	75,939,852
Total revenue from contracts with customers	25,327,462	17,855,647	5,554,332	54,739,268	-	103,476,709

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27 SEGMENT INFORMATION (continued)

Disaggregated revenue information (continued)
Geographical markets

	2019 *KD*	*2018* *KD*
Kuwait	**90,900,422**	77,907,071
Egypt	**15,207,918**	17,239,285
Lebanon	**167,829**	1,057,662
UAE	**27,113**	-
Oman	**4,249,864**	4,999,144
Jordan	**3,251,444**	2,235,119
Europe	**38,758**	38,428
	113,843,348	103,476,709

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

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

	2019 *KD*	*2018* *KD*
Kuwait	**106,369,807**	107,786,655
Egypt	**158,394,151**	158,605,040
Lebanon	**6,365,960**	6,373,102
UAE	**13,127,329**	14,766,037
Syria	**3,251,424**	3,257,834
Oman	**75,032,868**	69,664,532
Bahrain	**122,617**	342,851
Jordan	**111,583,808**	109,376,111
Morocco	**18,474,046**	16,898,332
Europe	**1,044,000**	1,026,650
KSA	**1,730,000**	1,730,000
	495,496,010	489,827,144

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial instruments comprise financial assets and financial liabilities.

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

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

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

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

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28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

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

2019	***Level: 1*** ***KD***	***Level: 3*** ***KD***	***Total*** ***KD***
Financial assets at fair value through other comprehensive income (Note 8):			
Quoted equity shares	158,848	-	**158,848**
Unquoted equity shares	-	3,830,427	**3,830,427**
	158,848	**3,830,427**	**3,989,275**

2018	*Level: 1* *KD*	*Level: 3* *KD*	*Total* *KD*
Financial assets at fair value through other comprehensive income (Note 8):			
Quoted equity shares	140,070	-	140,070
Unquoted equity shares	-	4,209,072	4,209,072
	140,070	4,209,072	4,349,142

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

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

	31 December 2019 ***KD***	*31 December 2018* *KD*
As at 1 January	**4,209,072**	737,150
IFRS 9 impact on reclassification	-	4,563,198
IFRS 9 impact on re-measurement	-	(1,175,855)
	4,209,072	4,124,493
Re-measurement recognised in other comprehensive income	**(349,501)**	25,853
Others including net (sales) purchases and transfer	**(29,144)**	58,726
As at 31 December	**3,830,427**	4,209,072

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

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

29 RISK MANAGEMENT

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

The 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.

29.1 Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counter-parties, monitors credit exposures, and continually assesses the creditworthiness of counterparties, with the result that the Group's exposure to bad debts is not significant.

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

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

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

	2019 KD	*2018 KD*
Bank balances and short-term deposits	**9,806,327**	19,436,714
Accounts receivable and other assets *(excluding prepayments)*	**60,710,225**	48,733,588
Loan to an associate	**18,474,047**	16,898,333
	88,990,599	85,068,635

As at 31 December 2019, the maximum credit exposure to a single counterparty amounts to KD 18,474,047 (2018: KD 16,898,333).

29 RISK MANAGEMENT (continued)

29.1 Credit risk (continued)
29.1.1 Gross maximum exposure to credit risk (continued)
The above-mentioned, financial assets of the Group are distributed over the following geographical regions:

Geographical regions	***2019 KD***	*2018 KD*
Kuwait	**76,832,666**	73,461,806
Jordan	**4,385,875**	4,641,409
Egypt	**4,449,957**	4,391,571
Lebanon	**125,571**	47,020
Oman	**3,161,542**	2,329,721
Europe	**32,610**	172,916
UAE	**-**	21,789
Bahrain	**2,378**	2,403
	88,990,599	85,068,635

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

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

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

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

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

29 RISK MANAGEMENT (continued)

29.2 Liquidity risk (continued)

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

	Within one year					
	Within 1 month KD	***Within 3 months KD***	***3 to 12 months KD***	***Sub total KD***	***1 to 5 years KD***	***Total KD***
31 December 2019						
Accounts payable, accruals and other payables	585,213	3,106,906	79,304,554	82,996,673	-	**82,996,673**
Interest bearing loans and borrowings	54,595	7,167,732	127,295,569	134,517,896	173,468,059	**307,985,955**
Bonds	137,948	551,792	2,621,012	3,310,752	67,587,133	**70,897,885**
Total liabilities	**777,756**	**10,826,430**	**209,221,135**	**220,825,321**	**241,055,192**	**461,880,513**

	Within one year					
	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*Sub total KD*	*1 to 5 years KD*	*Total KD*
31 December 2018						
Accounts payable, accruals and other payables	439,152	11,004,141	57,797,595	69,240,888	-	69,240,888
Interest bearing loans and borrowings	1,012,865	6,272,121	150,391,007	157,675,993	128,260,406	285,936,399
Bonds	281,698	563,396	2,535,281	3,380,375	71,831,313	75,211,688
Total liabilities	1,733,715	17,839,658	210,723,883	230,297,256	200,091,719	430,388,975

Interest bearing loans and borrowings includes an amount of short term loans and overdraft KD 69,834,726 (2018: KD 121,973,711). The balance is due within one year from the reporting date and is renewable on maturity.

29.3 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.

29.3.1 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 2019 and 31 December 2018. There is no impact on equity.

29 RISK MANAGEMENT (continued)

29.3 Market risk (continued)

29.3.1 Interest rate risk (continued)

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	
	2019 KD	*2018 KD*
US Dollars	**(172,257)**	(197,964)
Kuwaiti Dinars	**(957,249)**	(975,134)
Omani Riyal	**(56,349)**	(20,574)
Egyptian Pound	**(473)**	(9,383)

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

29.3.2 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 2019 and 31 December 2018 due to 5% increase in the following market indices with all other variables held constant is as follows:

Market indices	*Effect on equity*	
	2019 KD	*2018 KD*
Kuwait	**3,393**	2,544
Others	**6,131**	4,459

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.

29.3.3 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.

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29 RISK MANAGEMENT (continued)

29.3 Market risk (continued)

29.3.3 Foreign currency risk (continued)

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	
	2019	*2018*
	KD	*KD*
US Dollars	**475,538**	513,484
Euro	**184,740**	168,983
Egyptian Pounds	**151,011**	149,758
British Pound	**1**	3,600
Omani Riyal	**195,370**	61,644
Jordanian Dinar	**676**	6,694

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

30 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. During the current year, upon issuance of certain unsecured bonds (Note 14), certain changes were made in the objectives, policies or processes. The Group monitors capital using a gearing ratio as per the debt covenant for their loans, which is net debt divided by total equity (31 December 2018: net debt divided by equity attributable to the Parent Company). Accordingly, the Group has restated the comparative gearing ratio in-line with the changes made to the debt covenant.

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.

	2019	*2018*
	KD	*KD*
Interest bearing loans and borrowings	**237,265,599**	240,610,700
Bonds	**60,000,000**	60,000,000
Less: Cash, bank balances and short term deposits	**(9,806,327)**	(19,436,714)
Net debt	**287,459,272**	281,173,986
Total equity	**210,520,375**	216,882,911
Gearing ratio	**136.55%**	129.64%

31 SUBSEQUENT EVENTS

After the reporting date, a novel strain of coronavirus (COVID-19) was reported in Kuwait and internationally. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The Covid-19 outbreak has caused business disruption through voluntary and mandated closings of businesses by Governmental Authorities. While the disruption is currently expected to be temporary, economic uncertainties have arisen. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but is likely to negatively impact the Group's operating results. Given the ongoing economic uncertainty, the extent to which COVID-19 may impact our financial condition or results of operations cannot be reliably estimated at this time.

How to obtain our 2019 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 seven days before the advertised date of the General Assembly; please contact URC's Marketing & Corporate Communications Department on +965 2295 3560 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 cc@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 2019 Financial Statements or for extra copies of this Review, please call +965 2295 3560

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