ANNUAL REPORT 2020

URC

شركة العقارات المتحدة

United Real Estate Co

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

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

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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

Adel Jassem Al-Wugayan
Board Member

Mahmood Ali Tifouni
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

Rashid Issa Al-Issa
Head of HR & Administration

Rashed Humoud Hamada
Senior Vice President Property Management

Tareq Anbousi
Investment Director

Nasser Al Qallaf
Vice President Marketing & Corporate Communications

Wassim Sassia
Legal & Compliance Department

Shadi Mekdashi
Head of Risk Management

Board of Directors Report

Dear Honorable Shareholders,

It is a great privilege to write to you about URC's journey in 2020, the successes and challenges of the past, and the ambition and vision for the future. The Company's mission is to remain one of the leading developers and investors in the real estate sector, locally and regionally. Through URC's sound business model and prudent corporate strategy, the Company was able to overcome a year characterized by a challenging economic environment.

The regional real estate market was adversely affected in the year 2020, from slower oil price growth, a global slow down, in general and fresh threats from the COVID-19 on economies and trade. Though URC have seen signs of recovery in financial markets in the region as we approached the second half of 2020, the recovery was not sustainable especially with restrictions applied at a governmental level to control the spread of the virus.

Nevertheless, we remain cautious yet optimistic thanks to the Company's management, who played a key role in navigating through the global crisis. Our mission for 2021 is focused on identifying growth areas and overcoming the difficulties faced in 2020, by ensuring timely delivery of our development projects, focusing on our customers by providing them with best-in-class products, protecting our shareholders interest at all times, and investing in value-added projects to our wider communities.

As we pave the way for greater heights of success in the real estate sector, I would like to present a brief update about our current and future pipeline of projects. In Kuwait, URC has been progressing with its landmark development of Hessah AlMubarak District, which carries three prominent projects namely, Hessah Towers, Byout Hessah, and The Commercial District. In 2020, URC appointed the main works contractor for the construction of Hessah Towers residential development, which is set to be completed by 2022.

The Company recently awarded the main works contract for its second residential development in Hessah AlMubarak District, Byout Hessah, with its expected completion in 2023.

Despite the slow-down witnessed in 2020 due to the worldwide pandemic, URC was able to complete the design development and achieved timely progress of enabling works for The Commercial District; a premium lifestyle center and a mixed-use development and lifestyle hub for both residents and commuters at Hessah AlMubarak District.

In the Kingdom of Morocco, the Company continued to witness substantial progress with the Phase 2 of its Assoufid project; a luxurious mixed-use integrated tourism and residential resort situated in the vibrant city of Marrakech. The progress highlights include the successful and smooth completion of the detailed design phase. The landmark project is set to house the renowned St. Regis Marrakech Resort alongside its branded villas, and other premium residential components and a retail hub.

Our internal corporate culture is based on diversity and inclusion, supported team-based collaborations, fostered communication and change, all while building lasting stakeholder relations. In 2020 we have taken steps to strengthen our human capital needs considering the ongoing circumstances. We have stood by our employees' safety and security thus URC prioritized a work-from-home strategy during curfews and lockdown periods to ensure the smooth flow and continuity of the Company's business operations – while adhering to the governments' strict public health protocols.

Upon gradual return to normality, adapting to the 'new normal' at the workplace was imperative to the growth of our business operations, therefore URC ensured that the workplace adhered to proper health and safety practices in line with the guidelines set by the state's health authorities. In parallel, URC was able to attract talent into its business pool wherein new team members were onboarded to positively contribute to the Company's overall corporate strategy and goals.

The year ahead brings URC a clear focus on identifying its future opportunities as well as remaining resilient while optimizing its performance through its operating subsidiaries and investment arms in Kuwait and the MENA region. The Company will ensure timely delivery of its world-class projects which sets regional architectural standards to the communities it operates in. This will be shouldered by our firm customer-centric strategy that aims at surpassing customers' expectations and their need, which clearly defines URC's mission as a leading real estate developer.

We would like to observe this moment and commemorate the late Sheikh Nasser Sabah Al-Ahmad Al-Jaber Al-Sabah, URC's founder, former chairman, and a visionary leader of Kuwait's progress and development.

We would also like to thank URC management and staff, the cornerstone of our Company's growth and success, for their resilience, diligent efforts, and commitment to the organization during the past year.

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

Bibi Nasser Sabah Al-Ahmed Al-Sabah
Chairperson

Management Report

Dear Esteemed 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 2020.

As we embark on our journey in 2021, we reflect on a year that has been significantly transformational and filled with many challenges for URC, most of them unprecedented due to the worldwide pandemic-led weak operating environment, thus impacting the Company's business as well as operational revenues. The Company reported a net loss of KD 15.9 million in 2020, compared to net losses of KD 7.2 million in 2019. Operating losses were KD 2.9 million in 2020, compared to an operating profit of KD 8.8 million in 2019. URC's total assets saw a 2.4% decline to report KD 608 million by FYE 2020, compared to KD 623 million by FYE 2019.

URC's performance in 2020 was undoubtedly impacted by the governmental precautionary measures in tackling the COVID-19 pandemic, which negatively affected the economy and reflected on the Company's revenues and profitability during the year.

Attributes to URC's Performance in 2020

While the Company's main business segments, namely, retail malls and hospitality sectors were severely impacted, URC's proactive operational strategy enabled the Company to mitigate losses by undertaking proactive measures to tackle the uncertainty. These measures focused primarily on customer retention and sustainability of the business to ensure a prompt recovery after easing restrictions. Additionally, cost-saving initiatives coupled with the restructuring of debts resulted in lower costs and improvement of liquidity levels, which significantly minimized the negative financial impact on various business segments.

URC's Response Measures to COVID-19

Despite the economic slow-down, URC maintained stable occupancy levels in its retail malls. To ease the financial impact due to the full and partial closure of malls, URC granted rent exemptions to mall tenants, allowing them to mitigate their hardships until business activities are fully resumed. URC's hospitality sector that witnessed a severe decline in revenues during the peak pandemic period, subsequently witnessed a partial recovery that is mainly attributed to the increase in demand of local tourism. We are confident that the performance of our hotels will see further improvements in the future, especially with the nation-wide acceleration of the vaccine rollout and easing on travel restrictions.

URC Key Achievements in 2020

In 2020, the Company successfully secured approvals from its bondholders on the relaxation of financial covenants that will provide URC with the much-needed flexibility to operate without any breach of the covenants. Moreover, URC's loan restructuring efforts resulted in substantial improvement of the weighted average maturity profile of its loans. The ratio of long-term loans to total loans improved from 67% in December 2019 to 88% in December 2020; an indication of a much-improved debt composition in line with the Company's long-term assets nature. The loan restructuring efforts also resulted in lowering interest margins that will translate to substantial savings in financing costs.

Another key development was URC reaching the landmark of achieving 50% sale of the available units in the much-anticipated Hessah Towers located in Hessah Al Mubarak District in Kuwait.

On a regional front, URC achieved successful sale of several residential units at the Raouche View 1090 project in Lebanon and utilizing the sale proceeds to fully settle the high-cost debt in the property.

URC Cares

In line with URC's corporate social responsibility strategy, the Company worked tirelessly to underline its societal commitment to the communities it operates, while contributing equal opportunities towards social, economic, educational, and health programs across multiple platforms. Upon the reopening of retail malls, URC worked closely with the health authorities to implement strict social distancing and safety measures, in efforts to control the virus spread across its malls and ensure a safe shopping experience for shoppers and visitors.

In efforts of supporting the Kuwaiti government in tackling the coronavirus pandemic, URC contributed to KIPCO Group's drive a total of KD 2.5 million to help facilitate the country's efforts in battling the spread of the virus and to commemorate frontline heroes in their mission to protect the country and its people.

We are also proud to have been deeply involved in several youth empowering initiatives through our official sponsorship of:

- 'Fitness Flare Festival' which saw the participation of 1400 sports enthusiasts to promote fitness and sports awareness, teamwork, and healthy living.
- 'UIM-ABP Aquabike World Championship 2020' at Marina Mall, where the Company supported Kuwait's first international water sports championship with the participation of 100 professional competitors from 35 countries.
- 'URC Women's Futsal League 2020-2021', an initiative that underlines URC's future commitment of women empowerment in the sports arena.

URC also took part in KIPCO Group's ALAAN digital CSR platform to underline its social networking commitment to the community. From a communications perspective, and to keep the public constantly informed of recent updates, URC's digital media platforms, Instagram, and LinkedIn, has been well engaged with our social media audience with the release of informative content and country updates.

URC's Outlook in 2021

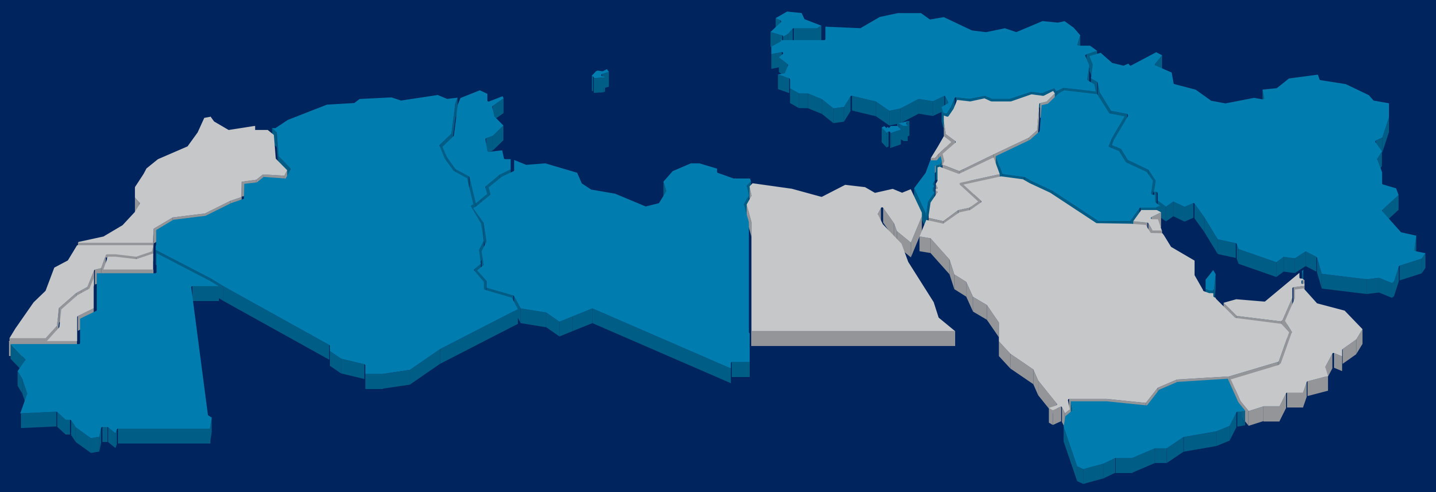
It is anticipated that 2021 will be an economically better year in comparison to 2020, according to global industry reports. During this year, the Company anticipates the official launch of the iconic Byout Hessah, The Commercial District in Hessah AlMubarak, and make further progress in the construction of Phase 2 in the Assoufid project in Marrakech, Morocco. In 2021, URC will strive to improve the performance of its subsidiaries' and that from its income-generating assets in line with its strategic objectives. The Company will maximize its efforts in targeting viable investment opportunities and expects continued progress in its asset monetization efforts. These initiatives will enable URC to achieve its mission of rebalancing its assets and diversifying its sources of income.

Finally, we would like to take this opportunity to thank our Board of Directors for their leadership and support, and our shareholders and customers for their continued trust. We would also like to thank URC's employees, our most valuable assets, for remaining dedicated and resilient towards achieving our Company's goals.

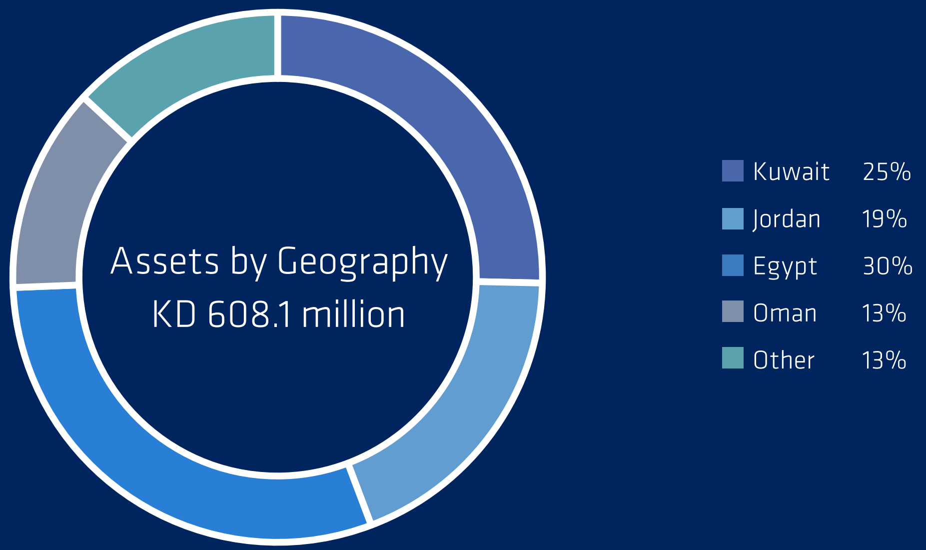
Mazen Issam Hawwa
Vice Chairman & Group Chief Executive Officer

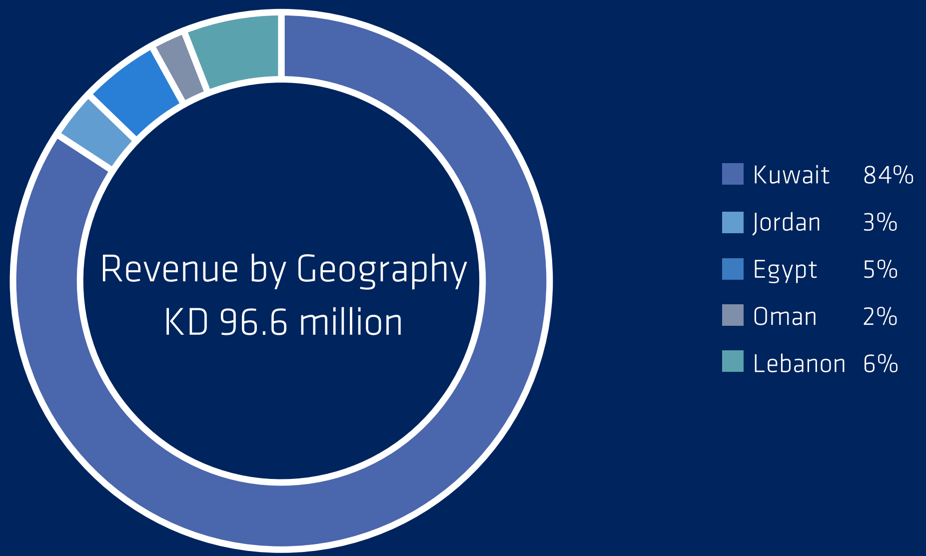
Key Financial Highlights

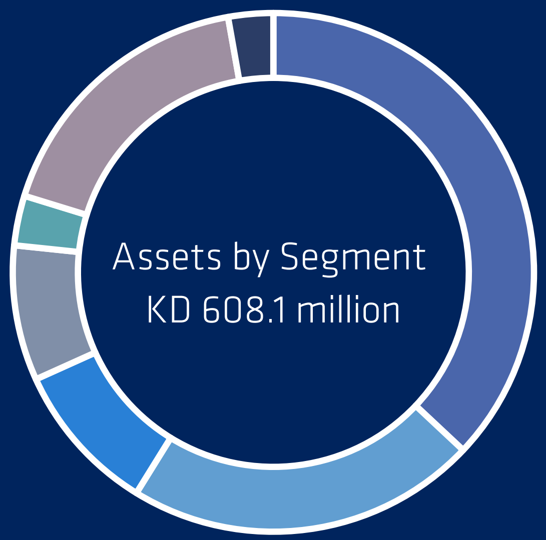
Reach & Diversification



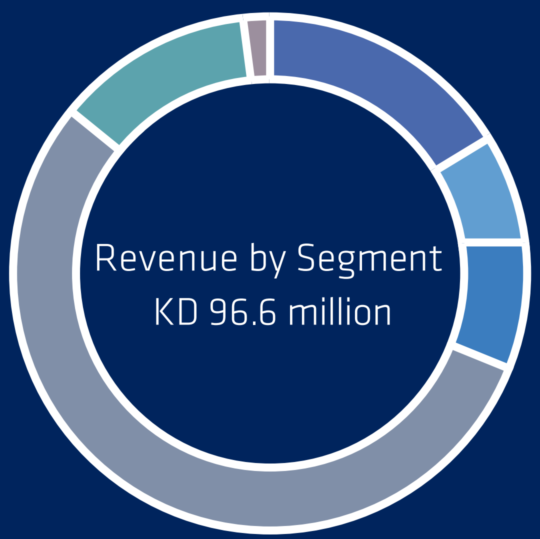
URC's operations are spread across multiple countries in the MENA region, with Kuwait serving as the home-base. Of particular emphasis are our investments in the high-growth market of Egypt and our growing income-generating assets in Oman and Jordan.



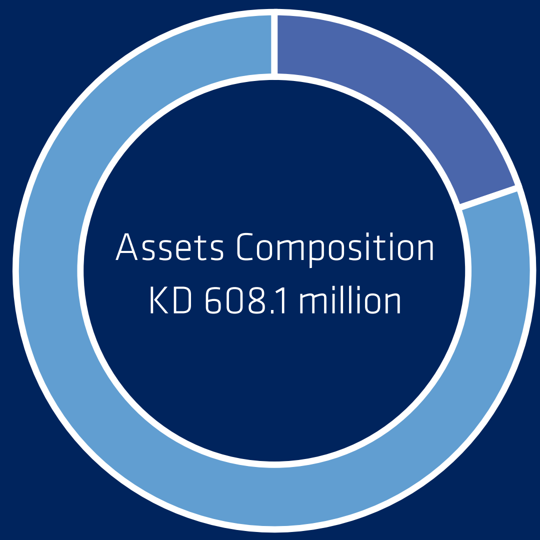




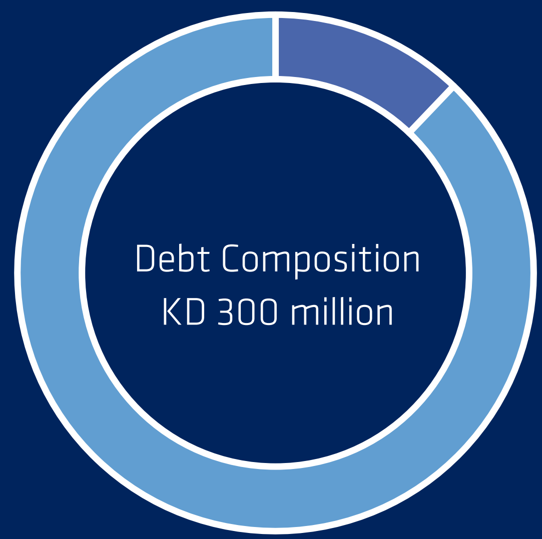
Retail	37%
Hospitality	22%
Property Trading	9%
Contracting	8%
Real Estate Services	3%
Real Estate Development	18%
Others	3%



Retail	18%
Hospitality	6%
Property Trading	7%
Contracting	54%
Real Estate Services	14%
Real Estate Development	1%

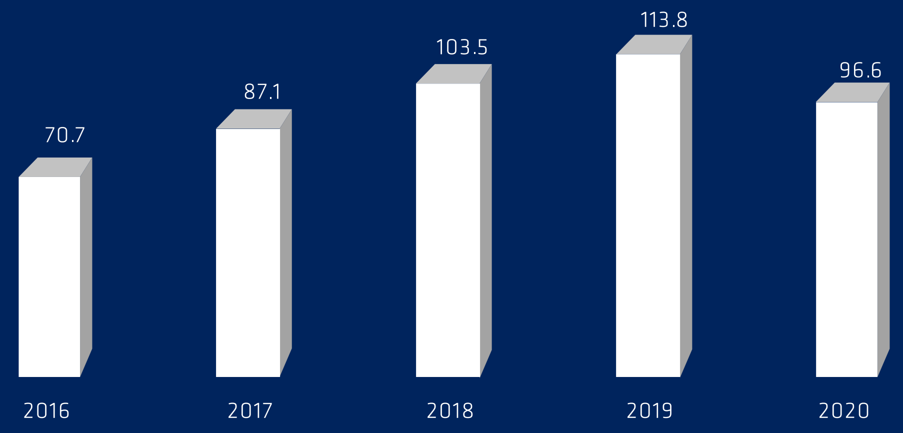


Current	20%
Non-current	80%

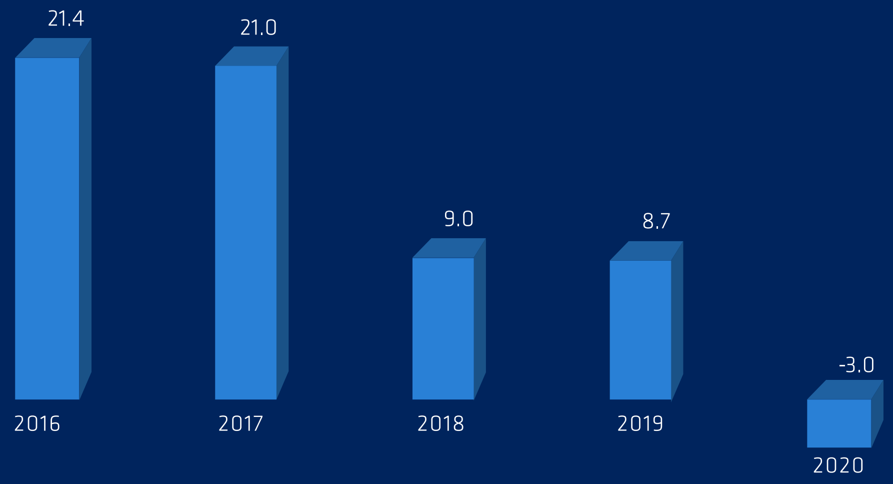


Short Term	12%
Long Term	88%

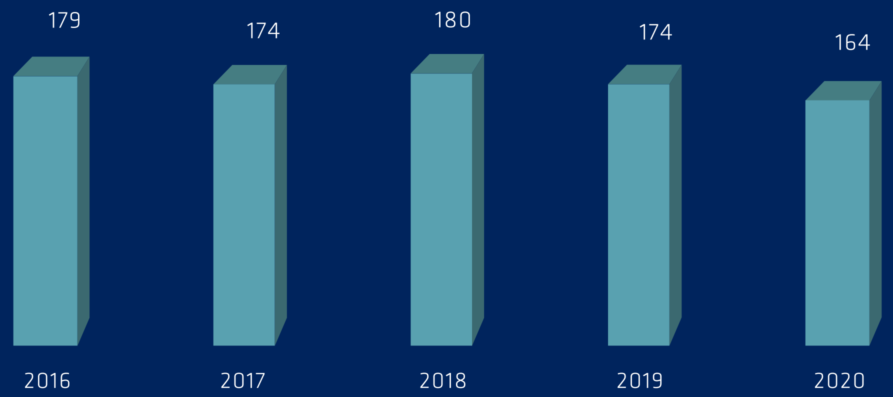
REVENUE



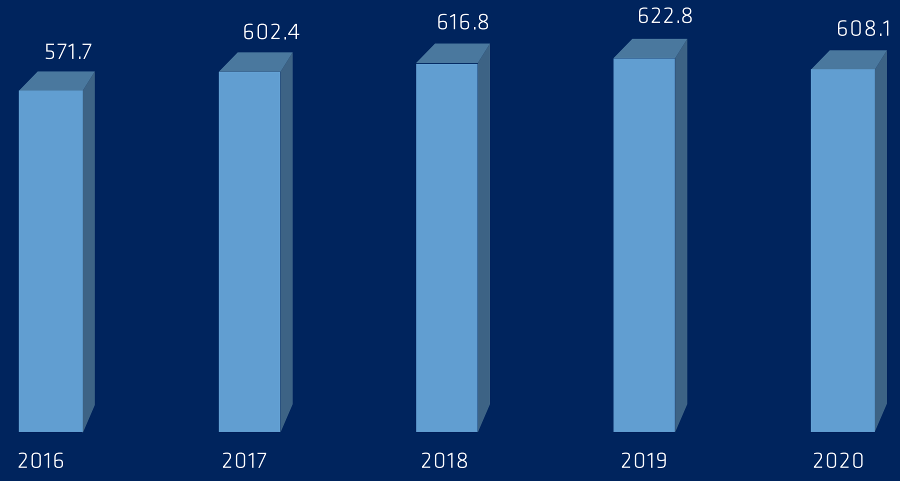
OPERATING PROFIT



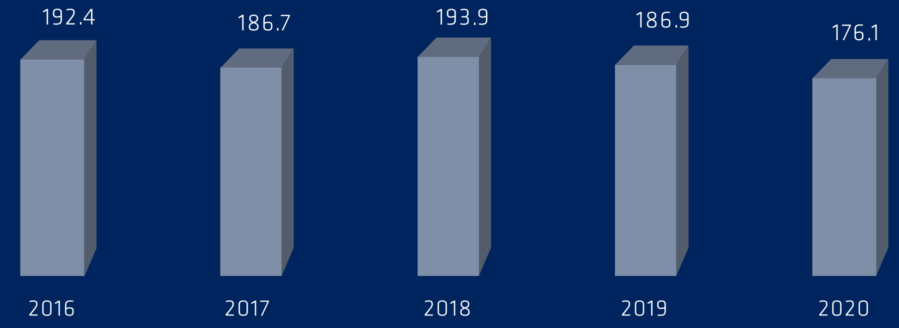
BOOK VALUE SHARE



TOTAL ASSETS



SHAREHOLDERS EQUITY



Executive Summary

United Real Estate Company (URC)

United Real Estate Company. K.S.C.P (URC) is one of the leading real estate developers in Kuwait and the MENA region, with consolidated assets of KD 608 million (US$ 2 Billion) as of 31 December 2020. Headquartered in Kuwait, URC was founded in 1973 and was listed on the Kuwait Stock Exchange in 1984.

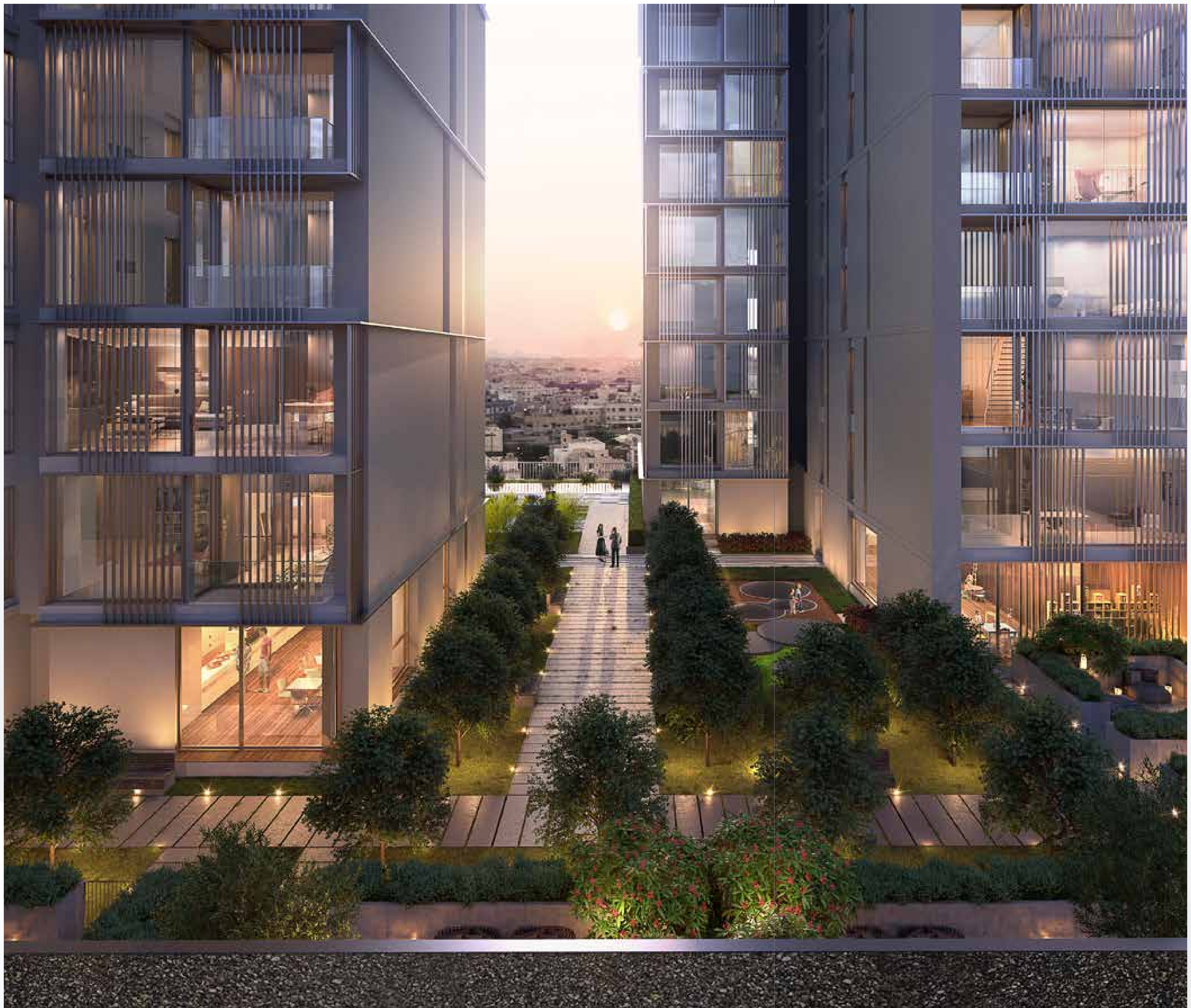
URC primarily operates through several operating subsidiaries and investment arms across the MENA region. URC's core business is real estate development and operations and enjoys a diversified portfolio of assets that include retail complexes, hotels, residential properties, and high-rise office buildings.

URC's operations extend to construction and contracting services, facility management, and project management through its several subsidiaries. URC's portfolio of assets are geographically spread throughout the MENA region 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, and Aswar Residences in Egypt, and Assoufid development including a golf resort, five-star hotel, and premium residences in Morocco.

URC is the real estate arm of its majority shareholder, Kuwait Projects Company – Holding (KIPCO Group), one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of US$ 34 billion as of 31 December 2020. 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.

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

Projects Under Development



Designed for privacy, allowing you to live in luxury.

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 and duplexes, all built with floor to ceiling windows allowing owners to enjoy breathtaking views of the Arabian Gulf and Kuwait City.

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

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.

Location
Hessah AlMubarak District

Plot Area
5,500 sqm

Built Up Area
Approximately 70,000 sqm

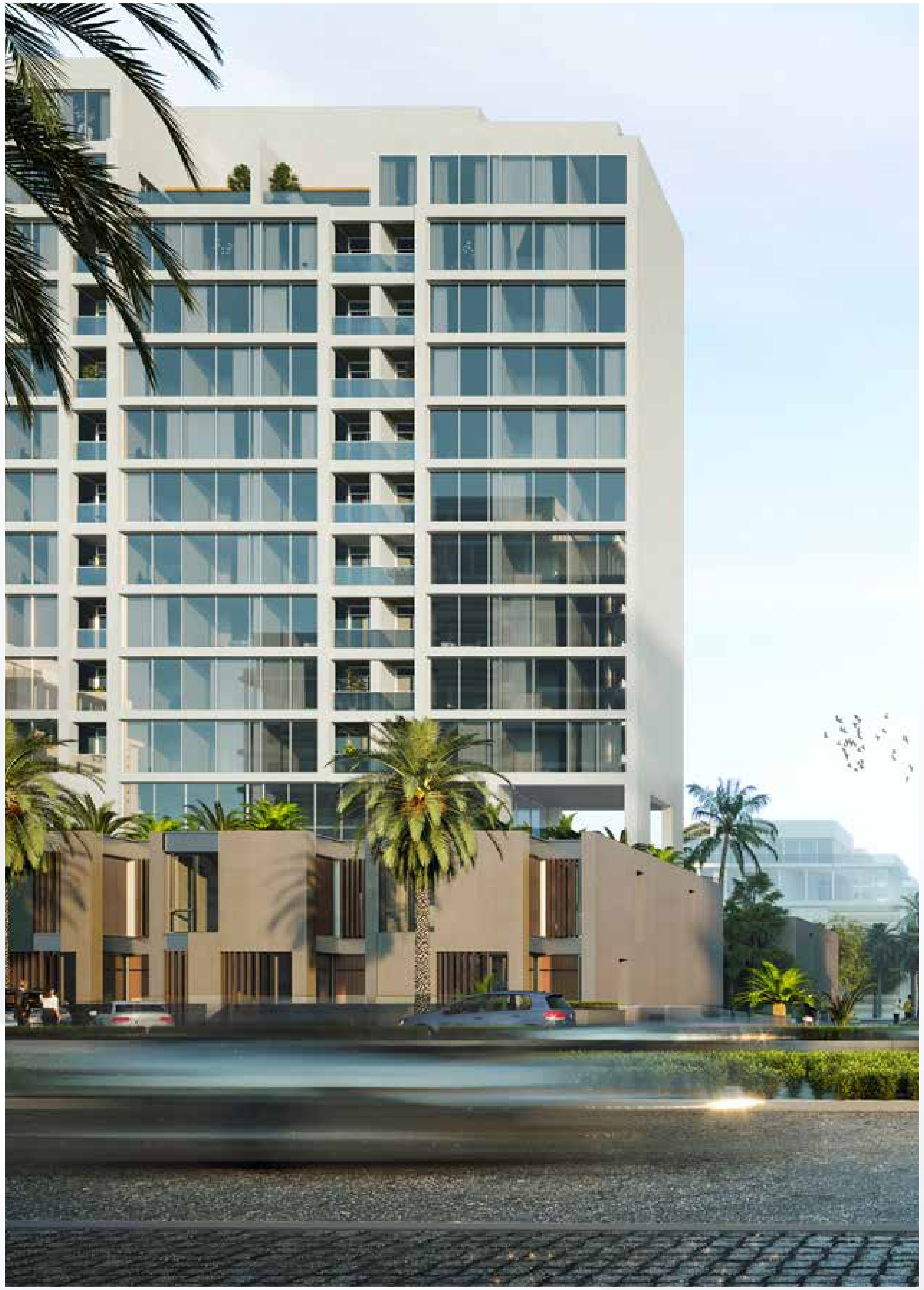
Expected Completion
2022

Total Units	Total Units Sold
204 units	104 units

Living spaces with high altitude of serenity

High rise living overlooking Kuwait City

Magnificent views, as far as the eye can see



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 40 luxury four-bedroom townhouses and two 12-floor residential building with 104 upscale two-bedroom apartments, which include 7 penthouses, set amidst landscaped surroundings and conveniently located close to the Arabian Gulf and the heart of Kuwait City's commercial district.

Byout Hessah includes 40 upscale four-bedroom townhouses, embracing high-end modern architecture harmonized by exclusivity, luxury, and privacy. The townhouses include two categories: duplex townhouses and townhouses with a basement fit for a multi-purpose room or a dewaniya for hosting visitors. 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.

Standing tall amidst a rapidly modernized skyline, Byout Hessah's identical 12-story residential buildings comprise a combined 104 upscale two-bedroom apartments, which include 7 penthouses. All living areas and bedrooms provide unobstructed panoramic views of Kuwait Towers, the Arabian Gulf, and the skyline of Kuwait City.

Every luxurious apartment at Byout Hessah is centered on an open plan kitchen, living and dining area which connect to two bedrooms. The master bedroom is fitted with an en suite and walk-in wardrobe, while the second bedroom features a built-in wardrobe in addition to an en suite. Penthouse units on the upper floors also include larger open terraces, providing you a private, natural enclave with signature metropolitan and sea-side views.

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 fully equipped modern gym, two multipurpose rooms, and a large outdoor terrace. Glass walls surrounding the beautiful indoor kids play area, in addition to an outdoor kids play area located near the building lobby, providing parents with transparency and peace of mind.

With 318 parking bays, Byout Hessah's ample carpark facility is readily available to residents and guests. The development also includes state-of-the-art building security systems and dedicated, round-the-clock security staff, alongside VIP concierge services to cater to residents' convenience and needs.

Location	Hessah AlMubarak District
Plot Area	Approximately 13,000 sqm
Built Up Area	Approximately 47,000 sqm

Expected Completion	
2023	
Total Units	**Total Units Sold**
144 units	18 units

Penthouse terrace with unobstructed northern seaviews

Upper floor penthouses with larger open terraces

Perspective of townhouse courtyard with pool

An all-inclusive community and lifestyle hub

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.

Location Hessah AlMubarak District	Expected Completion 2023
Total Leasable Area Around 46,700 sqm	Components Commercial offices, medical clinics, serviced apartments, retail hub, restaurants & cafes, and a community center including a supermarket, fast food & café outlets, consumer stores, and service shops.
Total Built-up Area Approximately 145,250 sqm	

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

Perspective of Serviced Apartment Terrace

An open-air shopping and dining experience

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.

Location
Marrakech, Kingdom of Morocco

Plot Area
2.5 million sqm

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

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

Project Development Third Phase
Premium branded villas and apartments

Perspective of luxury residential apartments

Perspective of main entrance at The St. Regis Marrakech Resort

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), a subsidiary of United Real Estate Company K.S.C.P (URC), is one of the leading companies in the field of integrated property and facility management services.

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

In 2020, UFM won several contracts with companies in the public and private sectors in Kuwait, including the Public Authority for Sport (Jaber Al-Ahmad International Stadium - Kuwait Volleyball Association - Kuwait Basketball Association), Kuwait University, Agility Public Warehousing Company, Jassim Transport & Stevedoring Company, SeaShell Julai'a Hotel & Resort, Burgan Bank and Al Qurain International Real Estate Company (The Gate Mall).

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 160 million.

In 2020, UBC was awarded various contracting projects from private sectors, including Mena Homes Real Estate Company and Al Daiya Real Estate Company. UBC's progress in its various projects during 2020 was commendable despite the restrictions and curfews. However, during the year, no major government projects were awarded due to the Covid-19 pandemic.

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

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

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

URC United Real Estate Holding for Financial Investments Egypt

Mr. Mohamed Helmy Shakweer
Managing Director

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

Headquartered in Cairo, United Real Estate Holding for Financial Investments 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

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.

URC شركة العقارات المتحدة
United Real Estate Co
Jordan

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.

شركة
أبراج المتحدة
القابضة

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.

Kuwait Hotels Company

Mr. Ahmad Yousef Al Kandari
Chairman

Founded in 1962, Kuwait Hotels Company K.S.C.P (KHC) is an associate of United Real Estate Company K.S.C.P (URC) owned at a 29.97% stake, with a core business focus on establishing first-class hospitality projects through affiliated companies specializing in hospitality and hotel management. In 1984, KHC was listed on the Kuwait Stock Exchange, reflecting the stability of the Company's operational and financial status. Since its inception, KHC has participated in many projects, including the Luxury Hilton International Hotels in Kuwait and Khartoum, the Churchill Hotel in London, and other similar projects locally and internationally.

Corporate Governance Report

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 recently been appointed as Chairperson of the Board of Directors. She has more than 14 years of professional experience in the management field and served as a member on several Board Committees of 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.)	Executive	Mr. Mazen Issam 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 20 years. He joined the finance and accounts team in 2001 and was 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 in, such as 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, that includes 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 Mohammed AbdulSalam holds a bachelor's degree in accounting from Kuwait University. Additionally, he has over 31 years of experience in the sectors of financial management and investment, consulting, 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 36 years of experience in business management and real estate investment.	29/04/2019
Mr. Mahmoud Ali Mahmoud Tifouni (Representing Al-Zad Real Estate Co.)	Non-Executive	Mr. Mahmoud Ali Mahmoud Tifouni obtained a Bachelor of Finance degree from the University of Denver in 2002. He started his career as an analyst for the alternative investments department in Kuwait Fund for Arab Economic Development focused on a hedge fund portfolio. Mr. Tifouni joined KAMCO Kuwait's asset management division in 2006, for the past 14 years he played a leading role in the development and restructuring of the department, as well as setting up investment products such as portfolios, and KAMCO Kuwait's GCC opportunistic fund. Mr. Tifouni is a Director for Equity & Fixed Income in KAMCO Invest and a board member in Manafea Holding Company, and a founding member of the Social Work Society (SWS) Kuwaiti civil society founded in 2005.	09/07/2020
Mr. Adel Jassem Mohammed Al-Wugayan (Representing Tadamon United Holding Company)	Non-Executive	Mr. Adel Jassem Waqayan holds an MBA from the University of Southern Indiana (USI). He brings on board over 33 years of experience in the banking and real estate investment sectors.	29/04/2019
Mr. AbdulAmir Qasem Jafar Ali	Independent	Mr. AbdulAmir Ali obtained a bachelor's degree in electrical engineering from the University of California. He previously served as a board member of Al Dhiyafa Holding Company, United Facilities Management Company, and Al Reef Real Estate Company in Oman. He held the position of General Manager at United Universal Company and United Real Estate Company, Bahrain. He brings over 15 years of experience in contracting and real estate.	29/04/2019
Mr. Wassim Boutros Sassia	Board Secretary	Mr. Wassim Sassia obtained a bachelor's degree in Lebanese Law from the Faculty of Law & Political Sciences – Lebanese University. Mr. Sassia is currently English Section Head of the Legal & Compliance Department and the Board of Director Secretary. He has over 13 years of experience and core expertise in corporate/commercial law. Mr. Sassia has extensive knowledge of legal procedures, rules, and practices in various jurisdictions of the MENA region, he has coordinated the preparation, analysis, and management of various international transactions related to banking and real estate. Mr. Sassia has accumulated expertise in areas of banking & finance, mergers & acquisitions, PPP, real estate development, construction, and hospitality projects.	28/10/2020

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

Board of Directors Meetings in 2020

The Board of Directors (BOD) was formed during the Annual General Meeting (AGM) held on 29/04/2019.
The BOD held 7 meetings 2020. The meetings details are as follows:

Name of Member (New Structure)	Meeting No. (1) Held on 22/01/20	Meeting No. (2) Held on 02/02/20	Meeting No. (3) Held on 02/04/20	Meeting No. (4) Held on 09/07/20	Meeting No. (5) Held on 13/08/20	Meeting No. (6) Held on 11/11/20	Meeting No. (7) Held on 31/12/20	Number of Meetings
Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah (Chairperson)	√	√	√	√	√	√	√	7
Mr. Mazen Issam Hawwa (Vice Chairman & Group CEO)	√	√	√	√	√	√	√	7
Mr. Tariq Mohammed AbdulSalam (Non-Executive Member)	√	√	x	√	√	√	√	6
Sheikh Fadel Khaled Al Jaber Al-Sabah (Independent Member)	√	x	√	√	x	√	x	4
Mr. Adel Jassem Mohammed Al-Waqayan (Non-Executive Member)	√	√	√	√	√	√	√	7
Mr. Samer Subhi Khanachet (previous Non-Executive Member)	√	√	√	x	x	x	x	6
Mr. Mahmoud Ali Mahmoud Tifouni (The current Non-Executive Member)	x	x	x	x	√	√	√	6
Mr. AbdulAmir Qasem Jafar Ali (Independent Member)	√	√	√	√	√	√	√	7

*The Board Director – Al-Zad Real Estate Co. –changed its representative in Board meeting No. 4, and appointed Mr. Mahmoud Tifouni instead of Mr. Samer Khanachet

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

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

Meetings are to be held by the invite of the Chairperson of the Board and in case of an emergency meeting, a written request must be submitted by two members of the Board. In 2020, no emergency meetings were held. Invitations are to be sent with an agenda, along with the related documents to all members of the Board a minimum of three (3) working days prior to the date of the meeting. Meetings are always scheduled after the closure of the trading period in the Boursa. The Board Secretary records all matters discussed and decisions taken while considering any reservations or dissenting opinions raised during the meeting. Minutes of meetings are recorded and filed under sequential numbers by year, place of meeting, date, and time (start to end). Minutes of meeting are signed by all attended members and kept at easy access along with the documents presented and discussed.

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. Periodically follow-up the Company's performance procedures in light of the spread of Corona virus and, the precautionary measures in place to cope with the pandemic.
5. Negotiating with local banks to amend, increase and extend the granted financial facilities and its terms in order to reduce the financial costs.

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	▪ Look into any nominations submitted by shareholders in relation to candidates for BOD members. ▪ Approve nominations of Board members who will be elected by shareholders at AGMs, as well as filling vacant positions on the Board. ▪ Review, evaluate and recommend, when necessary, policies for rewards and remunerations for BOD and employees at URC. ▪ Ensure periodically the independence of independent BOD members. ▪ Review annual requirements and experts for the BOD.	▪ Ensure effectiveness of the Company's internal controls and risk management systems. ▪ Ensure the independency of the External Auditor. ▪ 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 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 the delegation of authority approved by the BOD.
Achievements throughout the Year	▪ Reviewed the qualifications of the nominee for the BOD and executive management and provide its recommendation to the BOD. ▪ Approved annual bonuses for the Company and its subsidiaries' employees. ▪ Ensured independence of independent BOD members. ▪ Reviewed regularly required skills and qualifications for joining the BOD. ▪ Prepared job descriptions for all the BOD 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 the Internal Control Systems.	▪ Approved the Risk Management Department's structure and 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' transactions. ▪ 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. ▪ 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	Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah – President Sheikh Fadel Khalid Al Jaber Al-Sabah – Member Mr. Mazen Issam Hawwa – Member	Mr. Mahmoud Ali Tifouni – President Mr. Adel Jassem Al-Waqayan – Member Mr. AbdulAmir Qasem – Member	Sheikh Fadel Khalid Al Jaber Al-Sabah – President Mr. Mazen Issam Hawwa – Member Mr. Adel Jassem Al-Waqayan – Member	Sheikha Bibi Nasser Sabah Al-Ahmad Al-Sabah – President Mr. Tariq Mohammed AbdulSalam – Member Mr. Mazen Issam Hawwa – Member
Number of Meetings/Year	5	6	4	1

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

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

Third Rule

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

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

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

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

1. Brief of the applied compensation and remuneration police

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

2. Compensation and Benefits statement:

Board of Directors' Remunerations and Benefits

Total Number of Board Members	7	
Remuneration and benefits	from Parent Company (KD)	from Subsidiaries (KD)
Variable* annual remunerations	0	0

*Upon approval during the Annual General Meeting

Total of remuneration and benefits given for the Executives

Total Number of Executive Designations	9 Members*	
Remuneration and Benefits	from Parent Company (KD)	from Subsidiaries (KD)
Fixed Total Monthly salaries during the year	605,990	0
Medical Insurance	13,297	0
Travel Tickets	15,982	0
Housing Allowance	4,500	0
Transportation Allowance	24,231	0
Child Educational Allowance	39,488	0
Other remunerations and benefits	29,875	0
End of service compensation (for 9 Executives)	180,132	0
Variable annual remunerations	0	0
Total	**913,495**	**0**

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

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

No deviations have been recorded during the year 2020.

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 2020 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 31/12/2020, were presented in a sound and fair manner and were prepared per the generally accepted international accounting standards.

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

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

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

The Audit Committee accomplished its duties during 2020 and did not record any conflicts between the committee's recommendations and the Board's decisions.

Verification of the independence and neutrality of the external Auditor:

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

Fifth Rule

Apply Sound Systems of Risk Management and Internal Audit

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

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

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

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

Summary clarifying the control and internal audit systems:

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

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

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

Sixth Rule

Promote the Code of Conduct and Ethical Standards

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

The Company has established a Code of Ethics and Professional Code of Conduct policy 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. Establish a policy for reporting violations and designing a reporting system available to internal and external stakeholders.
5. Establish disciplinary procedures in accordance with Kuwait's Labor Laws that 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. The policy is under a periodical review and subject for changes and updates according to the relevant regulations.

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

A register has been arranged for all Company disclosures and those related to members of the Board of Directors and Executive Management and the persons included in the list of insiders of the Company. This record is updated periodically and is available for review by the shareholders of the Company. Complying with CMA resolutions, the company has established a register that includes the details of the remunerations, compensations, salaries, incentives, and any other financial benefits that have been paid to the BOD, Company's executive management and managers through URC or/and its subsidiaries. The Company is planning to update this register periodically and available for shareholders to review.

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

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

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

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

Eighth Rule

Respect the Rights of Shareholders

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

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

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

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

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

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

Ninth Rule

Recognize the Roles of Stakeholders

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

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

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

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

Tenth Rule

Encourage and Enhance Performance

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

The Company did not commit to the training program for the members of the Board of Directors and members of the Executive Management during the year 2020 due to the COVID-19 pandemic of where efforts were directed to ensure the safety and health of employees and the continuity of business. A training program has been developed for 2021 and the Company will work to adhere to it to enhance and improve the performance of both members of the Board of Directors and the Executive Management.

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

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

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

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

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

Eleventh Rule

Focusing on the Importance of Corporate Social Responsibility (CSR)

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

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

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

URC is committed to upholding its CSR initiatives by highlighting the Company's role in contributing with equal opportunity towards the social, economic, educational, and health programs across multiple platforms. A few of these initiatives include:

1. URC hosted at the Marina Crescent the "Flare Fitness Festival 2020", a CrossFit sports challenge participated by 1400 sports enthusiasts to increase fitness, sports awareness, teamwork, and healthy living.
2. URC is the official venue sponsor for "UIM-ABP Aquabike World Championship 2020" at Marina Beach. URC supports Kuwait's first international water sports championships with 100 professional competitors from local and 35 countries.
3. The Company contributed to KIPCO Group's KD2.5 million donation to support Kuwait's battle against the COVID-19 pandemic.
4. The Company's first official sponsorship of "URC Women's Futsal League 2020/2021", aimed to support youth initiatives and women's empowerment.
5. URC has partaken in KIPCO Group's digital CSR platform, ALAAN, a local mobile application designed to connect community members by optimizing their digital reach for the latest news, CSR initiatives, and awareness campaigns in Kuwait.

Bibi Nasser Al-Sabah

Chairperson

Consolidated Financial Statements

Date: April 28, 2021

Messrs. Esteemed Shareholders

Subject: Confirmation of soundness and accurateness of financial reports for the financial year ended on the 31/12/2020

Reference is made to the above-mentioned subject and in compliance with United Real Estate Company KSCP (the "Company") policies and procedures. To ensure the soundness and accuracy of its financial statements as one of the main 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, confirm that to the best of our knowledge and according to our periodic review of the interim financial statements, the Company's financial reports for the financial year ended 31/12/2020 are presented accurately and soundly and expose all the Company's financial aspects including information and results related to the Company's activities. Furthermore, said financial reports are 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 2020

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 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

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)

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

The external valuers have included a material valuation uncertainty clause in their valuation report. This clause highlights that less certainty, and consequently a higher degree of caution, should be associated to the valuation as a result of the Covid-19 pandemic. This represents a significant estimate uncertainty in relation to the valuation of investment properties.

Given the size, complexity and impact of ongoing Covid-19 pandemic on the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we considered this as a key audit matter.

Our audit procedures included, amongst others:

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

Other information included in the Group's 2020 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our 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.

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)

Other information included in the Group's 2020 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

- 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.

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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)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safe guards applied.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED REAL ESTATE COMPANY 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, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business of the Company or on its financial position

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

25 March 2021
Kuwait

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	***2020 KD***	*2019 KD*
ASSETS			
Non-current assets			
Property and equipment	10	**133,232,356**	136,525,567
Investment properties	9	**270,344,397**	277,497,332
Investment in associates	8	**56,801,650**	57,085,131
Financial assets at fair value through other comprehensive income	7	**3,394,461**	3,989,275
Loan to an associate	8	**21,536,212**	17,648,942
Intangible assets		**1,802,766**	1,924,658
		487,111,842	494,670,905
Current assets			
Properties held for trading	6	**55,854,896**	61,081,729
Accounts receivable, prepayments and other assets	5	**53,480,847**	57,239,086
Cash, bank balances and short-term deposits	4	**11,612,469**	9,806,327
		120,948,212	128,127,142
TOTAL ASSETS		**608,060,054**	622,798,047
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	12	**203,658,247**	139,077,078
Deferred tax liabilities	21	**31,928,534**	31,970,159
Bonds	13	**60,000,000**	60,000,000
		295,586,781	231,047,237
Current liabilities			
Interest bearing loans and borrowings	12	**36,381,685**	97,638,183
Accounts payable, accruals and other payables	11	**79,852,056**	83,592,252
		116,233,741	181,230,435
Total liabilities		**411,820,522**	412,277,672
EQUITY			
Share capital	14	**118,797,442**	118,797,442
Share premium	14	**15,550,698**	15,550,698
Statutory reserve	15	**20,511,526**	20,511,526
Voluntary reserve	16	**2,582,767**	2,582,767
Treasury shares	17	**(14,478,743)**	(14,478,743)
Treasury shares reserve		**491,325**	491,325
Other reserve		**(16,357,247)**	(16,357,247)
Cumulative changes in fair values		**(2,010,720)**	(1,430,420)
Foreign currency translation reserve		**(10,783,991)**	(16,839,291)
Revaluation surplus		**37,923,038**	38,559,952
Retained earnings		**23,871,500**	39,526,685
Equity attributable to equity holders of the Parent Company		**176,097,595**	186,914,694
Non-controlling interests		**20,141,937**	23,605,681
Total equity		**196,239,532**	210,520,375
TOTAL LIABILITIES AND EQUITY		**608,060,054**	622,798,047

Bibi Naser Sabah Al Ahmad Al Sabah
Chairperson

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	***2020 KD***	*2019 KD*
REVENUE			
Gross rental income		**15,619,147**	21,170,781
Hospitality income		**6,058,756**	17,488,643
Contracting and services revenue		**65,973,535**	69,150,630
Sale of properties held for trading		**6,363,895**	2,347,569
Other operating revenue		**2,582,732**	3,685,725
		96,598,065	113,843,348
COST OF REVENUE			
Properties operating costs		**(3,736,907)**	(4,638,137)
Rental expense on leasehold properties		**(1,995,593)**	(1,993,733)
Hospitality costs		**(6,265,976)**	(11,749,531)
Depreciation of hospitality assets	10	**(3,032,970)**	(3,294,077)
Contracting and services costs		**(61,803,116)**	(65,836,512)
Cost of properties held for trading sold	6	**(6,290,604)**	(1,845,567)
		(83,125,166)	(89,357,557)
GROSS PROFIT		**13,472,899**	24,485,791
Other net operating losses	18	**(1,078,257)**	(1,802,226)
General and administrative expenses	19	**(8,558,714)**	(7,166,302)
Depreciation of property and equipment	10	**(304,449)**	(316,279)
Valuation loss on investment properties	9	**(7,257,752)**	(942,746)
Reversal of (provision) for a legal case	26c	**812,067**	(5,409,224)
OPERATING (LOSS) PROFIT		**(2,914,206)**	8,849,014
Other net non-operating income	20	**507,682**	1,314,445
Finance costs - net		**(12,739,797)**	(15,559,843)
Share of results of associates	8	**(1,488,612)**	(4,054)
LOSS BEFORE TAXATION AND DIRECTORS' REMUNERATION		**(16,634,933)**	(5,400,438)
Taxation expense	21	**(41,568)**	(1,524,376)
LOSS FOR THE YEAR		**(16,676,501)**	(6,924,814)
Attributable to:			
Equity holders of the Parent Company		**(15,934,917)**	(7,222,196)
Non-controlling interests		**(741,584)**	297,382
		(16,676,501)	(6,924,814)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	22	**(14.83) fils**	(6.72) fils

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 COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 ***KD***	*2019* *KD*
Loss for the year	**(16,676,501)**	(6,924,814)
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	**3,088,491**	(219,140)
Net other comprehensive income (loss) that are or may be reclassified to consolidated income statement in subsequent periods	**3,088,491**	(219,140)
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	**(580,300)**	(330,723)
Revaluation gain of property and equipment (Note 10)	**(175,172)**	1,364,390
Deferred tax on revaluation gain of property and equipment (Note 21)	**62,639**	(252,249)
Net other comprehensive (loss) income that will not be reclassified to consolidated income statement in subsequent periods	**(692,833)**	781,418
Other comprehensive income	**2,395,658**	562,278
Total comprehensive loss for the year	**(14,280,843)**	(6,362,536)
Attributable to:		
Equity holders of the Parent Company	**(10,817,099)**	(6,967,724)
Non-controlling interests	**(3,463,744)**	605,188
	(14,280,843)	(6,362,536)

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 2020

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 2020	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
Loss for the year	-	-	-	-	-	-	-	-	-	-	(15,934,917)	(15,934,917)	(741,584)	(16,676,501)
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(357,182)	(580,300)	6,055,300	-	5,117,818	(2,722,160)	2,395,658
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	(357,182)	(580,300)	6,055,300	(15,934,917)	(10,817,099)	(3,463,744)	(14,280,843)
Transfer of depreciation related to property and equipment carried at revaluation	-	-	-	-	-	-	-	(279,732)	-	-	279,732	-	-	-
At 31 December 2020	**118,797,442**	**15,550,698**	**20,511,526**	**2,582,767**	**(14,478,743)**	**491,325**	**(16,357,247)**	**37,923,038**	**(2,010,720)**	**(10,783,991)**	**23,871,500**	**176,097,595**	**20,141,937**	**196,239,532**

	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 CASH FLOWS

For the year ended 31 December 2020

	Notes	*2020* *KD*	*2019* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(16,676,501)**	(6,924,814)
Adjustments for:			
Depreciation	10	**5,235,955**	4,746,190
Amortisation and impairment of intangible assets		**135,729**	110,644
Valuation loss on investment properties	9	**7,257,752**	942,746
Gain/(Loss) from write-down/disposal of assets		**77,893**	(417,244)
Provision for a legal case	26c	**(812,067)**	5,409,224
Provision for maintenance on leasehold properties		**264,000**	264,000
Provision for expected credit losses		**681,480**	1,146,927
Dividend income	18	**(19,973)**	(5,655)
Interest income		**(282,953)**	(265,418)
Finance costs		**13,022,750**	15,825,261
Share of results of associates	8	**1,488,612**	4,054
Foreign exchange loss		**103,737**	246,850
End of service benefit charge for the year		**1,012,751**	882,304
		11,489,165	21,965,069
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other assets		**3,076,771**	(9,072,826)
Properties held for trading		**5,635,130**	(1,163,922)
Accounts payable, accruals and other payables		**(8,028,431)**	9,258,591
End of service benefit paid		**(658,246)**	(437,514)
Net cash from operating activities		**11,514,389**	20,549,398
INVESTING ACTIVITIES			
Additions and capital contribution in investment in associates	8	**(1,383,333)**	(6,874,112)
Additions to Investment Properties	9	**(76,504)**	(342,062)
Purchase of property and equipment	10	**(1,973,870)**	(2,701,676)
Additions to loan to an associate		**(1,944,543)**	(1,483,974)
Proceed from disposal of assets		**172,890**	767,559
Dividends and Interest income received		**115,153**	6,374
Net cash used in investing activities		**(5,090,207)**	(10,627,891)
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		**18,800,000**	67,664,317
Repayment of interest bearing loans and borrowings		**(5,009,969)**	(72,316,978)
Finance costs paid		**(8,584,066)**	(15,800,664)
Net cash generated from (used in) financing activities		**5,205,965**	(20,453,325)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**11,630,147**	(10,531,818)
Foreign currency translation adjustments		**641,355**	(406,129)
Cash and cash equivalents at the beginning of the year		**(3,238,181)**	7,699,766
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**9,033,321**	(3,238,181)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

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 2020 were authorised for issue by the Board of Directors of the Parent Company on 25 March 2021 and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company. The shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

2.2 STATEMENT OF COMPLIANCE

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

United Real Estate Company S.A.K.P. and Subsidiaries
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 1 and IAS 8 Definition of Material
In October 2019, 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.

Amendments to IFRS 3: Definition of a Business
In October 2019, 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. New illustrative examples were provided along with the amendments. 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.

Adoption of profit rate benchmark reform (IBOR reform Phase 1)
The Group has adopted profit rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by profit rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow the Group to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. These amendments did not have a material impact on the consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

United Real Estate Company S.A.K.P. and Subsidiaries
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16
In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting. The Group will apply IBOR reform Phase 2 from 1 January 2021.

2.4 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.

United Real Estate Company S.A.K.P. and Subsidiaries
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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.

The principal subsidiaries of the Group are as follows:

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

United Real Estate Company S.A.K.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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)

2.4 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.

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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.

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

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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.

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF 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.

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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.

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

United Real Estate Company S.A.K.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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.

United Real Estate Company S.A.K.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

	2020	*2019*
	KD	*KD*
Summarised statement of income		
Revenues	**9,580,957**	13,028,179
(Loss) profit for the year	**(3,554,656)**	1,591,205
Loss attributable to non-controlling interests	**(285,949)**	(2,095)
Summarised statement of financial position		
Total assets	**98,552,141**	108,446,487
Total liabilities	**(40,974,121)**	(47,331,447)
Total equity	**57,578,020**	61,115,040
Accumulated balances of non-controlling interests	**17,199,438**	19,511,686

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3 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

	2020	*2019*
	KD	*KD*
Summarised cash flow information		
Operating	**5,411,769**	1,616,523
Investing	**(90,711)**	644,353
Financing	**(4,719,523)**	(7,120,939)
Net increase (decrease) in cash and cash equivalents	**601,534**	(4,860,063)

4 CASH, BANK BALANCES AND SHORT TERM DEPOSITS

	2020	*2019*
	KD	*KD*
Cash at banks and on hand	**11,284,698**	9,420,826
Short term deposits	**327,771**	385,501
Cash, bank balances and short-term deposits	**11,612,469**	9,806,327
Less: Bank overdraft (Note 12)	**(2,579,148)**	(13,044,508)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**9,033,321**	(3,238,181)

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 1,941,655 (2019: KD 1,322,615) are placed with related parties (Note 24).

5 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

	2020	*2019*
	KD	*KD*
Accounts receivables	**48,224,761**	49,694,010
Accrued rental and hospitality income	**2,551,581**	1,114,497
Due from related parties (Note 24)	**2,007,636**	4,754,105
Prepayments	**707,687**	914,384
Other assets	**5,890,349**	5,864,890
	59,382,014	62,341,886
Allowance for expected credit losses	**(5,901,167)**	(5,102,800)
	53,480,847	57,239,086

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

	2020	*2019*
	KD	*KD*
As at 1 January	**5,102,800**	5,275,992
Expected credit losses for the year	**681,480**	1,146,927
Written off	**(63,466)**	(1,506,593)
Foreign currency exchange difference	**180,353**	186,474
As at 31 December	**5,901,167**	5,102,800

6 PROPERTIES HELD FOR TRADING

	2020 *KD*	*2019* *KD*
As at 1 January	**61,081,729**	57,802,898
Additions during the year	**571,114**	3,511,491
Impairment of properties held for trading	**(130,570)**	(300,820)
Disposals	**(6,290,604)**	(1,845,567)
Foreign exchange difference	**623,227**	1,913,727
As at 31 December	**55,854,896**	61,081,729

The accumulated capitalised finance costs included in the carrying value of properties held for trading (under construction) is KD 229,054 (2019: KD 293,829). The rate used to determine the amount of borrowing costs eligible for capitalization was 14% (2019: 14%). During the current year, finance costs of KD Nil were capitalised to the properties held for trading (2019: KD Nil).

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 *KD*	*2019* *KD*
Quoted equity shares	**209,293**	158,848
Unquoted equity shares	**3,185,168**	3,830,427
Financial assets at fair value through other comprehensive income	**3,394,461**	3,989,275

Investments with aggregate carrying amounts of KD 2,331,216 (2019: KD 2,352,577) represent investments in related parties (Note 24) and investments with aggregate carrying amounts of KD 1,231,043 (2019: KD 1,441,209) are managed by a related party (Note 24).

8 INVESTMENT IN ASSOCIATES

Name of company	*Country of Incorporation*	*Equity interest* 2020	*Equity interest* 2019	*Carrying value* 2020 KD	*Carrying value* 2019 KD
Kuwait Hotels Company K.S.C.(a)	Kuwait	**29.97%**	29.97%	**1,155,851**	1,361,060
Dar SSH International Engineering Consultants Co. W.L.L.	Bahrain	**29.03%**	29.03%	**-**	-
Al Thaniya Real Estate Company P.S.C.	Jordan	**50.00%**	50.00%	**7,188**	7,600
Al-Fujeira Real Estate Limited	United Arab Emirates	**50.00%**	50.00%	**6,843,555**	6,527,675
United Towers Holding Company K.S.C. (Closed)	Kuwait	**40.08%**	40.08%	**27,586,833**	27,416,839
Ikarus United for Marine Services Company S.A.K. (Closed)	Kuwait	**20.00%**	20.00%	**618,693**	713,898
Insha'a Holding Company K.S.C.C.	Kuwait	**40.00%**	40.00%	**6,482,958**	6,249,799
Mena Homes Real Estate Company K.S.C. (Closed) (b)	Kuwait	**33.33%**	33.33%	**14,106,572**	14,808,260
				56,801,650	57,085,131

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8 INVESTMENT IN ASSOCIATES (continued)

(a) The associate is quoted on Kuwait Stock Exchange, with a market value of KD 951,763 (2019: KD 1,691,024).

(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 1,383,333 (2019: 6,874,112)

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

	2020 *KD*	*2019* *KD*
As at 1 January	**57,085,131**	50,445,326
Additions and capital contributions during the year (b)	**1,383,333**	6,874,112
Share of results	**(1,488,612)**	(4,054)
Foreign exchange differences	**(178,202)**	(230,253)
At 31 December	**56,801,650**	57,085,131

As at 31 December 2020, interest bearing loan provided by the Group to Assoufid B.V. amounted to KD 21,536,212 (2019: KD 17,648,942) (Note 24) and is maturing on 1 January 2036.

United Real Estate Company S.A.K.P. and Subsidiaries
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8 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*	
	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*	***2020 KD***	*2019 KD*
Summarised statement of financial position :						
Non-current assets	**131,608,168**	132,533,597	**90,098,171**	81,219,083	**61,410,265**	137,259,426
Current assets	**2,281,736**	1,704,089	**43,788,181**	46,291,964	**35,324,547**	32,449,814
Non-current liabilities	**(61,408,868)**	(61,637,693)	**(79,608,497)**	(70,146,178)	**(49,839,078)**	(128,334,376)
Current liabilities	**(3,655,819)**	(4,197,755)	**(11,958,138)**	(12,940,089)	**(31,005,704)**	(6,316,219)
Equity	**68,825,217**	68,402,238	**42,319,717**	44,424,780	**15,890,030**	35,058,645
Proportion of the Group's ownership	**40.08%**	40.08%	**33.33%**	33.33%		
Group's share in the net assets	**27,586,833**	27,416,839	**14,106,572**	14,808,260	**15,108,245**	14,860,032
Summarised statement of income:						
Revenues	**5,127,095**	8,327,539	**-**	118,969	**31,311,877**	57,109,623
Profit (loss) for the year	**430,871**	3,011,210	**(6,255,063)**	(4,912,858)	**(460,481)**	(3,272,923)
Group's share in profit (loss) for the year	**157,596**	1,206,944	**(1,771,041)**	(1,420,237)	**124,833**	209,239

United Real Estate Company S.A.K.P. and Subsidiaries
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9 INVESTMENT PROPERTIES

	2020 KD	*2019 KD*
Land for development (a)	**73,112,104**	72,918,294
Investment properties under construction (b)	**11,518,186**	11,479,339
Developed properties (c)	**185,714,107**	193,099,699
	270,344,397	277,497,332

Valuation of lands for development, investment properties under construction and developed properties were conducted as at 31 December 2020 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:

	2020 KD	*2019 KD*
As at 1 January	**72,918,294**	74,721,807
Additions	**18,777**	30,350
Disposals	**-**	(835,471)
Valuation gain (loss)	**58,227**	(1,402,100)
Foreign exchange differences	**116,806**	403,708
As at 31 December	**73,112,104**	72,918,294

Land for development include a plot of land in Sharm El Sheikh, Egypt amounting to KD 15,769,000 (2019: KD 15,741,876) 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

	2020 KD	*2019 KD*
As at 1 January	**11,479,339**	11,444,211
Capital expenditure	**33,279**	9,155
Foreign exchange differences	**17,275**	31,459
Valuation loss	**(11,707)**	(5,486)
As at 31 December	**11,518,186**	11,479,339

c) Developed properties

	2020 KD	*2019 KD*
Developed land and buildings:		
Developed land and buildings	**99,181,360**	99,285,698
Buildings constructed on land leased from the Government	**86,532,747**	93,814,001
	185,714,107	193,099,699

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.

United Real Estate Company S.A.K.P. and Subsidiaries
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9 INVESTMENT PROPERTIES (continued)

The movement during the year was as follows:

	2020 *KD*	*2019* *KD*
As at 1 January	**193,099,699**	192,456,352
Additions	**24,448**	302,557
Disposal of investment properties	**(187,570)**	-
Valuation (loss) gain	**(7,304,272)**	464,840
Foreign exchange differences	**81,802**	(124,050)
As at 31 December	**185,714,107**	193,099,699

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:

	2020 *KD*	*2019* *KD*
Opening balance	**277,497,332**	278,622,370
Additions and capital expenditures	**76,504**	342,062
Disposals and transfers	**(187,570)**	(835,471)
Valuation loss	**(7,257,752)**	(942,746)
Foreign exchange differences	**215,883**	311,117
Closing balance	**270,344,397**	277,497,332

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

	2020 *%*	*2019* *%*
Average net initial yield	**10.25**	9.50
Average reversionary yield	**11.25**	10.75
Average inflation rate	**1.50**	3.50
Long-term vacancy rate	**12.50**	10.00
Long-term growth in real rental rates	**2.50**	3.25

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*** *2020* *KD*	*2019* *KD*
Average net initial yield	+/- 1%	**1,349,314** **(1,312,963)**	1,420,330 (1,374,830)
Average reversionary yield	+/- 1%	**2,760,675** **(2,574,749)**	2,968,468 (2,798,640)
Average inflation rate	+/- 25 basis points	**1,462,840** **(1,043,784)**	1,523,792 (1,098,720)
Long-term vacancy rate	+/- 1%	**1,669,271** **(1,590,461)**	1,775,820 (1,656,730)
Long-term growth in real rental rates	+/- 1%	**1,521,406** **(1,724,562)**	1,635,920 (1,834,640)

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10 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	*Tools and equipment KD*	*Computer hardware and software KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Working under progress KD*	*Total KD*
Cost:								
As at 1 January 2020	55,283,743	93,264,922	13,716,767	3,583,397	8,285,290	1,710,666	2,847,612	**178,692,397**
Additions	-	145,211	1,316,598	165,931	97,509	248,621	-	**1,973,870**
Revaluation adjustment	-	(175,172)	-	-	-	-	-	**(175,172)**
Disposal	-	-	(3,400)	-	-	(4,450)	-	**(7,850)**
Exchange adjustment	73,491	90,374	9,235	1,477	8,037	357	2,145	**185,116**
As at 31 December 2020	55,357,234	93,325,335	15,039,200	3,750,805	8,390,836	1,955,194	2,849,757	**180,668,361**
Depreciation:								
As at 1 January 2020	-	(21,321,834)	(8,383,955)	(3,447,372)	(8,284,931)	(728,738)	-	**(42,166,830)**
Charge for the year	-	(2,311,099)	(2,363,647)	(201,491)	(54,374)	(305,344)	-	**(5,235,955)**
Disposal	-	-	1,322	-	-	594	-	**1,916**
Exchange adjustment	-	(20,095)	(7,730)	(1,232)	(5,783)	(296)	-	**(35,136)**
As at 31 December 2020	-	(23,653,028)	(10,754,010)	(3,650,095)	(8,345,088)	(1,033,784)	-	**(47,436,005)**
Net carrying amount								
As at 31 December 2020	**55,357,234**	**69,672,307**	**4,285,190**	**100,710**	**45,748**	**921,410**	**2,849,757**	**133,232,356**

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10 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	*Buildings KD*	*Tools and equipment KD*	*Computer hardware and software KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Working under progress KD*	*Total KD*
Cost:								
As at 1 January 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

The fair value of the freehold land and building was determined using the market comparable method. The valuations have been performed by an independent valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. The unit of comparison applied by the Group is the price per square meter ('sqm'). As at the reporting date, a loss from the revaluation of the freehold land and buildings of KD 175,172 (2019: gain KD 1,364,390), related deferred tax adjustment arising on the revaluation loss of KD 62,639 (2019: gain KD 252,249), share of non-controlling interest of KD 23,073 (2019: KD 88,465) and exchange difference on translation of foreign operations of KD 262,986 (2019: KD 235,264) was recognised in other comprehensive income.

Significant unobservable valuation input
As at 31 December 2020, range of average market price for the freehold land and buildings (per square metre) used by the valuer is KD 993 (2019: KD 1,025). 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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10 PROPERTY AND EQUIPMENT (continued)

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

	2020 KD	*2019 KD*
Cost of revenue		
Contracting and services cost	**1,898,531**	1,135,834
Depreciation of hotels	**3,032,970**	3,294,077
Operational expenses		
Depreciation of property and equipment	**304,454**	316,279
	5,235,955	4,746,190

11 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	2020 KD	*2019 KD*
Rent received in advance	**626,438**	1,001,900
Accounts payable	**48,033,866**	54,944,911
Refundable deposits	**5,571,401**	5,546,118
Due to related parties (Note 24)	**3,391,139**	2,197,455
Other payables	**22,229,212**	19,901,868
	79,852,056	83,592,252

12 INTEREST BEARING LOANS AND BORROWINGS

	2020 KD	*2019 KD*
Loans	**237,460,784**	223,670,753
Bank overdrafts	**2,579,148**	13,044,508
	240,039,932	236,715,261

	2020	*2019*
Parent		
Current	**25,017,526**	82,583,011
Non-current	**154,807,160**	97,657,259
	179,824,686	180,240,270
Subsidiaries		
Current	**11,364,159**	15,055,172
Non-current	**48,851,087**	41,419,819
	60,215,246	56,474,991
	240,039,932	236,715,261

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12 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

	Current portion KD	*Non-current portion KD*	***Total 2020 KD***	*Total 2019 KD*
Bank overdrafts (Note 4)	2,579,148	-	**2,579,148**	13,044,508
Short term loans	22,354,958	-	**22,354,958**	56,790,218
Term loans	11,447,579	203,658,247	**215,105,826**	166,880,535
	36,381,685	203,658,247	**240,039,932**	236,715,261

Term loans are obtained for varying periods ranging from one year to ten years and carry interest rates ranging from 2.75% to 8% (2019: 4% to 16.85%).

As at 31 December 2020, the Group's short-term loans and overdrafts amounting to KD 24,934,106 (31 December 2019: KD 69,834,726) are renewable on a yearly basis.

Interest bearing loans and borrowings amounting to KD 75,513,903 (2019: KD 59,350,416) are due to related parties (Note 24).

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 2020 KD***	*Total 2019 KD*
US Dollar	11,447,579	25,671,504	**37,119,083**	34,451,391
Omani Riyal	-	10,579,583	**10,579,583**	10,719,385
Egyptian Pound	499,208	-	**499,208**	94,603
Kuwaiti Dinar	24,434,898	167,407,160	**191,842,058**	191,449,882
	36,381,685	203,658,247	**240,039,932**	236,715,261

Included in interest bearing loans are loans amounting to KD 60,215,246 (2019: KD 56,474,991) which are obtained and availed by subsidiaries in the Group.

13 BONDS

	2020 KD	*2019 KD*
On 19 April 2020, 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

14 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2020, the Parent Company's authorised, issued and fully paid share capital consists of 1,187,974,420 shares of 100 fils each (2019: 1,187,974,420 shares of 100 fils each) which is fully paid in cash.

The share premium is not available for distribution.

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15 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 2020 due to losses incurred by the Parent company.

16 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before 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.

17 TREASURY SHARES

	2020	*2019*
Number of treasury shares	**113,669,873**	113,669,873
Percentage to issued shares	**9.568%**	9.568%
Market value in KD	**5,342,484**	6,990,697
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.

18 OTHER NET OPERATING LOSSES

	2020 KD	*2019 KD*
Loss from disposal of investment properties	**(22,180)**	(96,134)
Impairment of properties held for trading (note 6)	**(130,570)**	(300,820)
Provision for maintenance on leasehold properties	**(264,000)**	(264,000)
Provision for expected credit losses	**(681,480)**	(1,146,927)
Dividend income	**19,973**	6,374
Other investment loss	**-**	(719)
	(1,078,257)	(1,802,226)

19 GENERAL AND ADMINISTRATIVE EXPENSES

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

	2020 KD	*2019 KD*
Wages and salaries	**3,522,183**	3,548,906
Post-employment benefits	**526,944**	642,000
	4,049,127	4,190,906

Wages, salaries and post-employment benefits charged to cost of revenue amounts to KD 21,042,675 (2019: KD 19,282,611).

20 OTHER NET NON-OPERATING LOSSES

	2020	*2019*
	KD	*KD*
Gain on disposal of property and equipment	**1,566**	11,376
Amortisation of intangible assets	**(110,619)**	(110,644)
Impairment of intangible assets	**(25,109)**	-
Other income (note 26(d))	**745,581**	1,660,563
Foreign exchange loss	**(103,737)**	(246,850)
	507,682	1,314,445

21 TAXATION

	2020	*2019*
	KD	*KD*
Taxation on overseas subsidiaries		
Current tax	**26,172**	244,371
Deferred tax	**15,396**	1,280,005
	41,568	1,524,376

The tax rate applicable to the taxable overseas subsidiaries companies is in the range of 10% to 22.5% (2019: 10% to 22.5%). For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies jurisdiction.

The deferred tax liabilities relate to the following:

	2020	*2019*
	KD	*KD*
Revaluation of investment properties to fair value	**(11,678,268)**	(11,853,006)
Revaluation of property and equipment to fair value	**(13,251,994)**	(13,141,639)
Deferred tax – relating to origination and reversal of temporary differences	**(6,998,272)**	(6,975,514)
Deferred tax liabilities	**(31,928,534)**	(31,970,159)

The reconciliation of deferred tax liabilities is detailed as followed:

	2020	*2019*
	KD	*KD*
As at 1 January	**(31,970,159)**	(30,097,090)
Expense for the year	**(15,396)**	(1,280,005)
Deferred tax adjustment on revaluation of property and equipment to fair value taken to other comprehensive income	**62,639**	(252,249)
Foreign exchange differences	**(5,618)**	(340,815)
As at 31 December	**(31,928,534)**	(31,970,159)

22 BASIC AND DILUTED LOSS PER SHARE

Basic EPS amounts are calculated by dividing the profit (loss) for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2020	*2019*
	KD	*KD*
Losses		
Loss for the year attributable to the equity holders of the Parent Company	**(15,934,917)**	(7,222,196)
	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 per share attributable to equity holders of the Parent Company	**(14.83) fils**	(6.72) fils

23 DIVIDEND

During the board meeting held on 25 March 2021, 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 2020 approved the audited consolidated financial statements of the Group for the year ended 31 December 2019. The shareholders' annual general assembly had approved to not distribute any dividend or bonus shares (31 December 2018: 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*	***2020 KD***	*2019 KD*
Consolidated statement of financial position					
Cash and short-term deposits (Note 4)	-	-	1,941,655	**1,941,655**	1,322,615
Accounts receivable, prepayments and other assets (Note 5)	-	1,124,312	883,324	**2,007,636**	4,754,105
Financial assets at fair value through other comprehensive income (Note 7)	-	-	2,331,216	**2,331,216**	2,352,577
Loan to an associate (Note 8)	-	21,536,212	-	**21,536,212**	17,648,942
Accounts payable, accruals and other payables (Note 11)	285,377	2,345,370	760,392	**3,391,139**	2,197,455
Interest bearing loans and borrowings (Note 12)	-	-	75,513,903	**75,513,903**	59,350,416
Consolidated income statement					
Property operating costs	-	-	316,456	**316,456**	89,005
General and administrative expenses	-	154,267	342,989	**497,256**	304,456
Finance costs	-	-	2,417,296	**2,417,296**	2,661,179
Rental income	-	1,800	-	**1,800**	2,400
Interest income	-	187,761	-	**187,761**	169,799
Other operating revenue	-	736,917	-	**736,917**	941,687
Contracting and services revenue	-	1,234,192	-	**1,234,192**	1,221,079

Certain investments with carrying value of KD 1,231,043 (2019: KD 1,441,209) are managed by a related party (Note 7).

Key management personnel compensation

	2020 KD	*2019 KD*
Salaries and short-term employee benefits	**798,869**	684,006
End of service benefits	**114,626**	92,930
	913,495	776,936

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25 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities
At 31 December 2020 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 11,763,951 (31 December 2019: KD 10,915,204).

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 79,794 (31 December 2019: KD 525,961) and in respect of property held for trading amounting to KD 250,117 (31 December 2019: KD 5,915,898).

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:

	2020 KD	*2019 KD*
Within one year	**21,743,010**	30,728,486
After one year but not more than three years	**37,617,075**	55,165,961
	59,360,085	85,894,447

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:

	2020 KD	*2019 KD*
Within one year	**1,994,015**	1,994,705
After one year but not more than three years	**1,281,581**	1,291,821
	3,275,596	3,286,526

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26 LEGAL CASES

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

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

As per the legal counsel of the Group, the provision of the repeal issued, validity and the effectiveness of contracts for the sale issued by the court of cassation is contrary to the previous rulings in similar cases issued by the court of cassation itself. 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 2020 relating to the potential loss of equity interest in Manazel (31 December 2019: KD 1,982,349). The legal counsel of the Group believes that this matter will not have a material adverse effect on the consolidated financial statements.

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

(b) The Group has certain fully depreciated assets as at 31 December 2020 (31 December 2019: 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 3,006,331 (31 December 2019: KD 3,221,394) and KD 2,333,208 (31 December 2019: KD 2,437,888) 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 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.

During the year, the Group signed an amicable settlement agreement with the contractor for an amount of OMR 8 million thereby allowing a reversal of OMR 1,029,619 (equivalent to KD 812,067) reflected in the consolidated financial statements as "Reversal of provision for a legal cases".

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

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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:

	Segment revenues 2020 KD	***Segment gross profit 2020 KD***	***Segment results 2020 KD***	*Segment revenues 2019 KD*	*Segment gross profit 2019 KD*	*Segment results 2019 KD*
Rental operations #	**17,526,945**	**9,263,787**	**(853,986)**	23,648,429	14,351,612	5,544,856
Hospitality operations	**6,058,756**	**(3,240,190)**	**(5,362,630)**	17,488,643	2,445,035	1,400,752
Property trading	**6,363,895**	**73,291**	**(939,097)**	2,347,569	502,002	(967,072)
Contracting	**51,957,499**	**3,906,663**	**3,180,967**	55,092,195	3,586,336	3,125,565
Real estate services	**16,341,274**	**2,665,497**	**2,069,082**	16,879,916	2,770,025	1,711,030
Real estate development	**988,914**	**988,914**	**(901,338)**	1,425,408	1,425,408	(238,216)
Inter-segmental eliminations	**(2,639,218)**	**(185,063)**	**199,055**	(3,038,812)	(594,627)	(495,016)
Segment revenues and results	**96,598,065**	**13,472,899**	**(2,607,947)**	113,843,348	24,485,791	10,081,899
Administrative expenses *			**(3,875,495)**			(3,275,585)
Finance costs *			**(10,151,491)**			(12,206,752)
Taxation costs *			**(41,568)**			(1,524,376)
Loss for the year			**(16,676,501)**			(6,924,814)

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

The rental operations segment includes valuation adjustment of investment properties amounting to KD 7,257,752 (2019: KD 942,746)

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27 SEGMENT INFORMATION (continued)

Disaggregated revenue information
The following presents the disaggregation of the Group's revenues:

Timing of revenue recognition	***Services performed* over time KD**	***Services performed* at point in time KD**	***Total 2020* KD**	*Services performed* over time KD	*Services performed* at point in time KD	*Total 2019* KD
31 December						
Rental operations	**14,944,213**	**2,582,732**	**17,526,945**	19,962,704	3,685,725	23,648,429
Hospitality operations	**-**	**6,058,756**	**6,058,756**	-	17,488,643	17,488,643
Property trading	**-**	**6,363,895**	**6,363,895**	-	2,347,569	2,347,569
Contracting	**51,957,499**	**-**	**51,957,499**	55,092,195	-	55,092,195
Real estate services	**16,341,274**	**-**	**16,341,274**	16,879,916	-	16,879,916
Real Estate development	**988,914**	**-**	**988,914**	1,425,408	-	1,425,408
Inter-segmental eliminations	**(2,639,218)**	**-**	**(2,639,218)**	(3,038,812)	-	(3,038,812)
Total revenue from contracts with customers	**81,592,682**	**15,005,383**	**96,598,065**	90,321,411	23,521,937	113,843,348

Assets:	**2020 KD**	*2019 KD*
Rental operations	**225,095,626**	237,997,300
Hospitality operations	**132,467,251**	141,800,464
Property trading	**57,350,092**	65,134,526
Contracting	**51,264,066**	45,907,643
Real estate services	**18,880,904**	11,379,425
Real estate development	**106,070,990**	99,434,151
Unallocated	**29,134,092**	28,504,651
Inter-segmental eliminations	**(12,202,967)**	(7,360,113)
Total assets	**608,060,054**	622,798,047

Liabilities:	**2020 KD**	*2019 KD*
Rental operations	**151,754,526**	164,623,125
Hospitality operations	**86,330,294**	89,595,557
Property trading	**29,744,085**	39,369,659
Contracting	**66,311,039**	57,695,355
Real estate services	**20,630,096**	8,537,870
Real estate development	**49,758,483**	43,924,016
Unallocated	**7,932,084**	9,326,599
Inter-segmental eliminations	**(640,085)**	(794,508)
Total liabilities	**411,820,522**	412,277,672

Geographical markets

	2020 KD	*2019 KD*
Kuwait	**81,284,244**	90,900,422
Egypt	**4,581,653**	15,207,918
Lebanon	**5,720,302**	167,829
UAE	**27,113**	27,113
Oman	**2,037,246**	4,249,864
Jordan	**2,912,669**	3,251,444
Europe	**34,838**	38,758
	96,598,065	113,843,348

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27 SEGMENT INFORMATION (continued)

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

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

	2020 KD	*2019 KD*
Kuwait	**97,590,000**	105,544,702
Egypt	**157,139,040**	158,394,151
Lebanon	**6,248,481**	6,365,960
UAE	**12,808,886**	13,127,329
Syria	**3,253,570**	3,251,424
Oman	**74,344,293**	75,032,868
Bahrain	**191,369**	122,617
Jordan	**111,144,650**	111,583,808
Morocco	**21,536,212**	18,474,046
Europe	**1,044,000**	1,044,000
KSA	**1,811,341**	1,730,000
	487,111,842	494,670,905

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.

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.

28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	Level: 1	*Level: 3*	*Total*
2020	***KD***	***KD***	***KD***
Financial assets at fair value through other comprehensive income (Note 7):			
Quoted equity shares	**209,293**	**-**	**209,293**
Unquoted equity shares	**-**	**3,185,168**	**3,185,168**
	209,293	**3,185,168**	**3,394,461**

	Level: 1	*Level: 3*	*Total*
2019	*KD*	*KD*	*KD*
Financial assets at fair value through other comprehensive income (Note 7):			
Quoted equity shares	158,848	-	158,848
Unquoted equity shares	-	3,830,427	3,830,427
	158,848	3,830,427	3,989,275

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 2020 KD	*31 December 2019 KD*
As at 1 January	**3,830,427**	4,209,072
Re-measurement recognised in other comprehensive income	**(580,300)**	(349,501)
Others including net (sales) purchases and transfer	**(64,959)**	(29,144)
As at 31 December	**3,185,168**	3,830,427

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 IMPACT OF COVID-19 OUTBREAK

On 11 March 2020, COVID-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Actual results may differ from these estimates. In preparing these consolidated financial statements, significant judgement is exercised by management in applying the Group's accounting policies.

29 IMPACT OF COVID-19 OUTBREAK (continued)

The currently known impact of COVID-19 on the Group are:
- Due to the prevailing uncertainty in the real estate sector, the Group carried out a fair value assessment of its properties and recorded a decline in the value of investment properties by KD 7,257,752
- A decline in gross rental income during the year of 2020 compared to the prior year by 26% due to rent concessions provided to lessees and government measures taken to temporarily close shopping malls.
- Revenues from Hotels owned by the Group are also adversely impacted due to the closure of the Hotels as mandated by the government. This resulted in a decline in Hospitality Income for the year of 2020 compared to the prior year by 65%

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2021.

Trade, lease and other receivables
The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

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

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Fair value measurement of investment properties
The market disruption caused by the COVID-19 pandemic resulted in a reduction in transactional evidence and market yields, and accordingly, there is an increased risk that the price realised in an actual transaction would differ from the value conclusion arrived by the valuers.

The highly uncertain economic outlook for the period may have a material adverse effect on the tenants' operations, the viability of their business and their ability to meet their rental obligations. This uncertainty is factored into the valuation of investment property, specifically in estimating rent payments from existing tenants, the void periods, occupancy rates, expected market rental growth rates and the discount rate, all of which are significant inputs into the fair value determination. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021.

Government assistance
In an attempt to mitigate the impact of the Covid-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 75,115. The financial support is accounted for in accordance with IAS 20 *'Accounting for Government Grants and Disclosures of Government Assistance'* has been recorded in 'employees' costs' in the recognized in the consolidated income statement for the year ended 31 December 2020.

29 IMPACT OF COVID-19 OUTBREAK (continued)

Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the period. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.

30 RISK MANAGEMENT

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

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the year ended 31 December 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

Risk management structure

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

Excessive risk concentration

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

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

30.1 Credit risk

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

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

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

30 RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

30.1.1 Gross maximum exposure to credit risk

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

	2020 KD	*2019 KD*
Bank balances and short-term deposits	**11,556,035**	9,768,495
Accounts receivable and other assets *(excluding prepayments)*	**58,674,327**	61,427,502
Loan to an associate	**21,536,212**	17,648,942
	91,766,574	88,844,939

As at 31 December 2020, the maximum credit exposure to a single counterparty amounts to KD 21,536,212 (2019: KD 17,648,942). The above-mentioned, financial assets of the Group are distributed over the following geographical regions:

Geographical regions	***2020 KD***	*2019 KD*
Kuwait	**82,225,167**	76,687,006
Jordan	**3,984,694**	4,385,875
Egypt	**2,261,975**	4,449,957
Lebanon	**650,779**	125,571
Oman	**2,552,302**	3,161,542
Europe	**46,344**	32,610
UAE	**42,934**	-
Bahrain	**2,379**	2,378
	91,766,574	88,844,939

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

Bank balances and short-term deposits

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

Accounts receivables

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

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

30 RISK MANAGEMENT (continued)

30.2 Liquidity risk

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

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

	Within one year					
	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*Sub total KD*	*1 to 5 years KD*	*Total KD*
31 December 2020						
Accounts payable, accruals and other payables	8,463,848	8,617,313	62,081,664	79,162,825	-	79,162,825
Interest bearing loans and borrowings	204,797	4,909,633	16,809,957	21,924,387	237,089,388	259,013,775
Bonds	246,885	493,771	2,962,625	3,703,281	63,703,282	67,406,563
Total liabilities	**8,915,530**	**14,020,717**	**81,854,246**	**104,790,493**	**300,792,670**	**405,583,163**
31 December 2019						
Accounts payable, accruals and other payables	585,213	3,106,906	78,808,136	82,500,255	-	82,500,255
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

Interest bearing loans and borrowings includes an amount of short term loans and overdraft KD 24,934,106 (2019: KD 69,834,726). The balance is due within one year from the reporting date and is renewable on maturity.

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

30.3 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.

30.3.1 Interest rate risk

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit before directors' remuneration and taxation, based on floating rate financial assets and financial liabilities held at 31 December 2020 and 31 December 2019. There is no impact on equity.

30 RISK MANAGEMENT (continued)

30.3 Market risk (continued)

30.3.1 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	
	2020 KD	*2019 KD*
US Dollars	**(144,595)**	(172,257)
Kuwaiti Dinars	**(1,139,460)**	(1,096,499)
Omani Riyal	**(52,898)**	(473)
Egyptian Pound	**(2,496)**	(172,257)

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

30.3.2 Equity price risk

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

The effect on other comprehensive income as a result of a change in the fair value of equity instruments held as available for sale financial assets at 31 December 2020 and 31 December 2019 due to 5% increase in the following market indices with all other variables held constant is as follows:

	Effect on equity	
Market indices	***2020 KD***	*2019 KD*
Kuwait	**50,908**	67,754
Others	**118,815**	130,591

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

30.3.3 Foreign currency risk

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

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

	Increase by 1% Effect on profit before directors' remuneration and taxation	
	2020 KD	*2019 KD*
US Dollars	**552,011**	475,538
Euro	**215,362**	184,740
Egyptian Pounds	**20,091**	151,011
British Pound	**274**	1
Omani Riyal	**137,184**	195,370
Jordanian Dinar	**9,961**	676

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

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31 CAPITAL MANAGEMENT

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

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

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

	2020 ***KD***	*2019* *KD*
Interest bearing loans and borrowings (Note 12)	**240,039,932**	236,715,261
Bonds (Note 3)	**60,000,000**	60,000,000
Less: Cash, bank balances and short-term deposits (Note 4)	**(11,612,469)**	(9,806,327)
Net debt	**288,427,463**	286,908,934
Total equity	**196,239,532**	210,520,375
Gearing ratio	**146.98%**	136.29%

How to obtain our 2020 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 2020 Financial Statements or for extra copies of this Review, please call +965 2295 3560

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