50 YEAR ANNIVERSARY

Annual Report 2023

URC
شركة العقارات المتحدة
United Real Estate Co

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

Table of Contents

BOARD OF **DIRECTORS**

Sheikha Bibi Nasser Sabah Al-Ahmed Al-Sabah
Chairperson

Mazen Issam Hawwa
Vice Chairman & Group Chief Executive Officer

Sheikh Fadel Khaled Al-Sabah
Board Member

Sana Abdullah Hamad AlHadlaq
Board Member

Samer Abbouchi
Board Member

Abdul Amir Qasem AlMuscati
Board Member

Mahmood Ali Tifouni
Board Member

MANAGEMENT
TEAM

Mazen Issam Hawwa
Vice Chairman & Group Chief Executive Officer

Santhosh Kumar Unnikrishnan
Group Chief Financial Officer

Mishary Al Muhailan
Chief Development Officer

Rashid Issa Al-Issa
Chief Human Resources Officer

Abdullah Al Sultan
Chief Property Management Officer

Tareq Anbousi
Chief Investment Officer

Lujain Al Saleh
Chief Sales & Marketing Officer

Abdo Salamah
Senior Vice President Legal, Board Secretary

Shadi Mekdashi
Head of Risk & Compliance

Monika Yaacoub
Head of Internal Audit

BOARD OF DIRECTORS **REPORT**

Dear Honorable Shareholders,

I'm pleased to provide you with a comprehensive overview of United Real Estate Company's (K.S.C.P) performance and accomplishments for the fiscal year ending on December 31, 2023. As the company continues its successful journey, we commemorate its achievements to fulfilling its vision of sustainability and value maximization for shareholders, alongside responsible management of social responsibilities, employee welfare, risk and governance.

Our commitment to initiative and dedication remains pivotal in our social role, as we strive to contribute meaningfully to community service. We strongly believe that good governance goes beyond financial stability, encompassing community development and sustainability. Consequently, URC has initiated numerous social, humanitarian, and sustainability initiatives, alongside partnering with various entities to enhance quality of life and sustainable development in the communities it serves.

On the financial front, the company maintained positive and stable growth rates, resulting in a net profit of KD 4.2 million for the year ended December 31, 2023, compared to KD 3.4 million in 2022. These results reflect URC's commitment to achieving promising financial performance and continued success in its core business operations.

Regionally, the operating ecosystem in 2023 was surrounded by challenges. Despite various factors hindering growth and economic progress worldwide, there were indications of significant recovery in some of these key markets. We successfully completed the sale of the "Medius" project in the Arab Republic of Egypt and inaugurated the Waldorf Astoria Cairo Heliopolis hotel, one of the luxury hotel brands owned by Hilton, which is the first of its kind in Egypt and the African continent. This was achieved through Gulf-Egypt for Hotels & Tourism, a subsidiary of URC.

At the local level, URC's main projects were met with increased momentum driven by customer confidence and a resurgence in investment interest. The investments of URC witnessed strong demand within the real estate sector, particularly for the "Hessah District" project. Sales for the "Byout Hessah" project exceeded 89%, while the "Hessah Towers" project achieved sales exceeding 93%, indicating a surge in demand. Furthermore, construction works for the "Hessah Towers" project have been primarily completed, and the initial phase of unit handovers to owners is currently underway in the first half of 2024.

The success can be attributed to several factors, notably the strategic location of the project and the attractive environment for integrated living, combining residential, commercial, retail, and recreational amenities. These units have been developed to elevate the experience of integrated residential communities amid vibrant surroundings, complemented by exclusive shops, restaurants, and modern facilities, offering residents an idyllic living experience that meets the highest standards of quality life.

As we look forward to the future and to the year 2024, we anticipate the completion of the development of the "Byout Hessah" project and the handover of residential units to their owners in the second half of 2024, thereby completing the residential area in the "Hessah District" project entirely.

We also anticipate concluding the development of the commercial area in Q3 of 2024. Additionally, we will continue to seek new opportunities to adapt quickly and respond to the evolving market challenges, leveraging its achievements to attain further progress and growth by refocusing on the Kuwaiti real estate market.
Finally, I would like to extend my deepest gratitude and appreciation to His Highness the Amir of the State of Kuwait, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah -may God protect him - for his continuous support and invaluable guidance.

I would also like to express my sincere gratitude to all stakeholders and esteemed contributors for their continuous support towards our ongoing efforts to enhance URC's leading position in the real estate sector. My gratitude extends to the members of the Board of Directors, the CEO and the executive management for their dedication and valuable contributions towards fulfilling our vision and goals during the year 2023. I hold our clients trust in URC with high regards, and we reaffirm our commitment to continue delivering exceptional real estate projects and profitable investment opportunities.

Lastly, I extend a special thanks to the dedicated employees of URC, as your dedication and efforts are the cornerstone of our success. It is worth noting here that we have assembled a group of experienced and skilled individuals within the company's workforce who contribute effectively and play a pivotal role in the company's ongoing success. Therefore, we strive to deepen communication with all levels of staff and empower them, fostering a sense of belonging, teamwork, and collaboration among all employees.

Bibi Nasser Sabah Al-Ahmed Al-Sabah
Chairperson

MANAGEMENT **REPORT**

Dear Esteemed Shareholders,

It is with great pleasure that I express my deepest gratitude and appreciation for your continued support and trust. I am also delighted to inform you that at the end of 2023, United Real Estate company (URC) completed 50 years since its establishment. To reflect this golden anniversary, a legacy of creativity and excellence, and to embody the leadership vision that has made URC a symbol of success and distinction in the world of business and real estate development, an indication of the effectiveness of the strategies and initiatives put in place by the company's board members and executive management, which have contributed to achieving qualitative leaps that have enhanced business momentum and the effects of which have clearly been reflected on investor confidence, making URC and its projects one of the most important options for real estate investors.

I am also pleased to present the annual report for the fiscal year ended December 31, 2023, which includes the company's performance, financial results, and initiatives conducted during this year. As URC embarks on strengthening its position among the leading real estate developers in Kuwait, the Middle East and North Africa, in line with ambitious targets embodied in our own strategy, we reaffirm our unwavering commitment to supporting this agenda and vision, employing our corporate values, headed by a team with extensive experience, and supporting the community, to continue the journey of sustainable growth and achieve the aspirations of our management, shareholders and customers alike, and to empower URC and its real estate projects within the future real estate landscape.

Accordingly, we are always striving to provide distinctive and unprecedented real estate products and solutions in the local market that encompass the fields of designing and creating sustainable projects that create an urban environment with a modern lifestyle that meets all the aspirations of customers with a diverse range of real estate options for housing, entertainment, and investment with rewarding returns with stable growth.

Financial Growth

The company achieved an increase in net profit attributable to the equity holders of the parent company, reaching KD 4.2 million in 2023 compared to KD 3.4 million in 2022, representing a 23.5% increase. Gross profit also increased to KD 27.2 million compared to KD 22.9 million in 2022, an increase of 18%.

URC stated that the financial data showed a significant growth in operational performance during 2023. Operating profits recorded an increase of KD 25.3 million in 2023 compared to a loss of KD 17.3 million in 2022, representing an increase of 245.9%.

In 2023, bonds totaling KD 60 million were settled, while new bonds worth KD 80 million were issued. Additionally, a KD 9 million settlement was made with the Ministry of Finance.

The main business segments, such as rental and hospitality services, also contributed significantly to achieving positive results. Revenue from these core business segments increased by 35.7% in 2023 compared to 2022. The rental segment saw a revenue growth of 45%, and the Hospitality segment saw a revenue growth of 20%.

Enhancing Shareholders' Value

This year's impressive performance is a result of our dedication to implementing the company's strategy to maximize shareholder value and foster a strong organizational culture. We have also decided to integrate sustainability into our strategic plan as URC moves towards a sustainable future. URC successfully wrapped up 2023 by executing value-added initiatives that had a tangible positive impact on society. These initiatives covered various segments of society, showcasing our pioneering role in promoting diversity and inclusivity, which further strengthens our commitment to sustainability standards and sets the groundwork for a new role for the private sector in development. This aligns with URC's longstanding community journey spanning over 50 years.

At URC, we recognize the profound connection between business success and sustainable societal impact. We also understand that our success is inextricably linked to the well-being of the communities we serve. Therefore, our corporate social responsibility (CSR) initiatives go beyond traditional business aspects, extending to catalyzing positive change to effectively contribute to sustainable development, education, and empowerment. This is achieved through the implementation of economic, social, and other developmental projects and programs.

Operational Activity

The company's operational momentum continued in the local and foreign markets in which it operates in accordance with its strategic plan and the established timelines.

Locally, the sales of residential units in the "Hessah District" project exceeded 91%. Construction has been largely completed for "Hessah Towers" within the "Hessah District" project and finishing works are currently being completed to hand over the residential units in the first half of 2024. As for "Byout Hessah", despite construction setbacks due to the necessary approvals and licenses, the project has achieved an 83% completion rate. In reference to the Commercial District within the project, completion has reached 44%, and the construction of the restaurants and Retail area at "Hessah Plaza" is approaching its final stages.

Regionally, particularly in the Arab Republic of Egypt, the sale of the "Medius" project was completed. It is a residential community in the 5th Settlement area in New Cairo, consisting of luxurious simplex and duplex apartments and a commercial area.

Construction work has been completed on the Waldorf Astoria Cairo Heliopolis Hotel, one of the luxurious hotel brands affiliated with Hilton, through Gulf Egypt for Hotels and Tourism Company, a subsidiary of United Real Estate Company.

This remarkable partnership with Hilton, a leading hospitality company, comes to expand our portfolio in Egypt to include the luxurious Waldorf Astoria brand. It also underscores our shared values of enriching our guest experiences and delivering unparalleled hospitality characterized by excellence in service and sophistication.

Awards and Recognitions

URC received numerous prestigious global awards in 2023. It won the "Best Real Estate Developer in the Middle East for 2023" award from Euromoney magazine and the "Most Innovative Community Developer" award from Global Business Outlook magazine.

In addition, we were named “Best CSR Company in Kuwait 2023” by The International Business magazine. URC was recognized by these awards based on its strategic programs, impactful partnerships, valuable contributions to education, culture, women empowerment, and overall community well-being.

Moreover, URC won the “Best Luxury Mixed-Use Development” by Luxury Lifestyle Awards for Hessah District. The Luxury Lifestyle Awards is one of the world's most prestigious awards that recognizes companies that offer the finest products and services around the world. Finally, the "Byout Hessah" project within the "Hessah District" was awarded the "Best Apartment/Condominium" award at the "Best Regional" awards at the International Property Awards.

Strategic Partnerships to Empowering Women

URC's portfolio boasts numerous strategic community initiatives, including its sponsorship of the Young Women's Empowerment Initiative launched by Alnowair. The initiative, launched by AlNowair, a pioneering non-profit organization in Kuwait and the GCC region, aims to empower women through purposeful theater. Alnowair is dedicated to fostering positive social behavioral change within Kuwait's community, youth, and workplace environments by providing evidence-based resources, tools, and strategies to promote personal transformation and enhance wellbeing.

Furthermore, URC remains steadfast in its commitment to supporting local women's sports by sponsoring the URC Futsal Women's League for the third consecutive year. This initiative, conducted in collaboration with the Women Committee of the Kuwait Football Association, is a testament to URC's social responsibility strategy, aiming to promote and advance women's sports at the regional and international levels. This ongoing support for women in society underscores URC's dedication to empowerment and social progress.

Supporting Students and Education

URC reaffirms its profound commitment to investing in future generations and providing constant support for students and education. The company has established itself as a leader in this domain through a variety of initiatives, including offering gold and platinum sponsorships for career fairs to facilitate students' career paths, and participating in different graduation projects at various universities to foster creativity and innovation.

Moreover, URC organizes study tours and field trips to augment students' practical knowledge and provide firsthand experience. Additionally, the company hosts informing discussion panels featuring experts and specialists from diverse fields, aimed at guiding students and enriching their ideas.

Youth and Sports

As part of its unwavering dedication to nurturing a vibrant sports culture, embracing diverse events, and promoting fitness initiatives for the betterment of the community, URC proudly sponsored the "Flare Festival" held at Marina Beach. Additionally, the company sponsored the prestigious KIB The Stadium padel tournament, drawing elite players from aGross the GCC. These sponsorships underscore URC's commitment to fostering a dynamic and inclusive sports environment, where individuals of all backgrounds can thrive and excel.

Fostering Wellness: Building a Healthier Community

URC collaborated with Kuwait Hospital to conduct awareness campaigns and workshops on breast cancer for its employees. Additionally, the company arranged various activities, screenings, and medical consultations to encourage regular check-ups among its workforce. The campaign also featured informative sessions with specialists covering topics such as diabetes, digestive health, and nutrition, aimed at promoting the importance of maintaining a healthy lifestyle.

Digital Transformation

Recognizing the pivotal role of modern technology in driving growth and development, the company has been proactive in adopting cutting-edge technological solutions on its operations to enhance the customer experience. These efforts encompass a comprehensive infrastructure upgrade, the implementation of a unified platform for consolidating all URC financials to enhance efficiency and governance, and the adoption of digital transformation initiatives in internal operations. These advancements collectively contribute to providing an exceptional experience for all stakeholders.

Human Resources

At URC, our employees form the foundation of our success. Thus, the Human Resources and Recruitment Department works in tandem to ensure the continuity of our growth by identifying and cultivating the right talent. We prioritize the development of our internal culture, with a primary focus on performance enhancement. Through various development programs and engaging initiatives, including sports, social events, and awareness competitions, we aim to boost employee morale and improve performance and productivity aGross the organization.

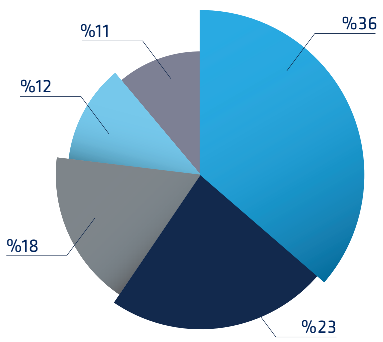
In conclusion, I would like to thank the members of the Board of Directors for their trust and continuous support, I also would like to thank the members of the executive management for their dedication and distinguished efforts which have significantly contributed to achieving our targeted results in 2023. My sincere thanks go out to URC staff for their unwavering commitment to their work. Finally, I extend our sincere appreciation to you, our valued shareholders, for your trust and support.

Mazen Issam Hawwa
Vice Chairman & Group CEO

- The company recorded a net profit of KD 4.2 million in 2023.
- The company's operational momentum persisted in both local and foreign markets, aligning with its strategic plan and timelines.
- The sales of residential units in the Hessah District project exceeded 91%.
- The successful completion of the sale of the “Medius” project in Egypt significantly contributed to achieving positive results.
- The company has successfully implemented impactful initiatives that have added value and made a tangible positive impact on society, showcasing its leadership in promoting diversity and inclusivity.
- Receiving several prestigious international awards serves as yet another testament to our unwavering commitment to excellence. It underscores our dedication to developing innovative solutions and products that align with the aspirations of society.

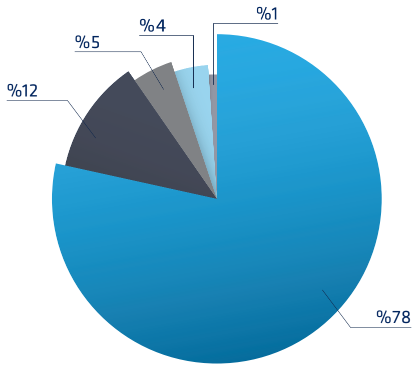
Key **Financial** Highlights

NET PROFIT	TOTAL REVENUE	OPERATING PROFIT	EARNING PER SHARE (EPS)
4.19 KD million	**87.28** KD million	**25.29** KD million	**3.22** *Fils



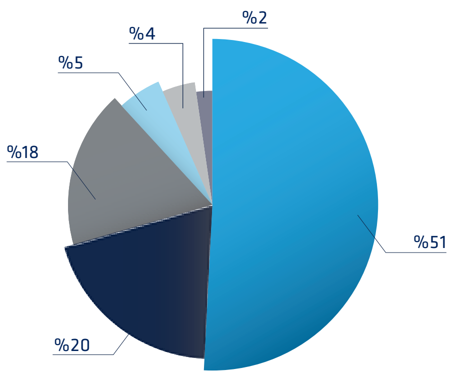
Assets by Geography
665.5 KD million

- Kuwait 36%
- Egypt 23%
- Jordan 18%
- Oman 12%
- Others 11%



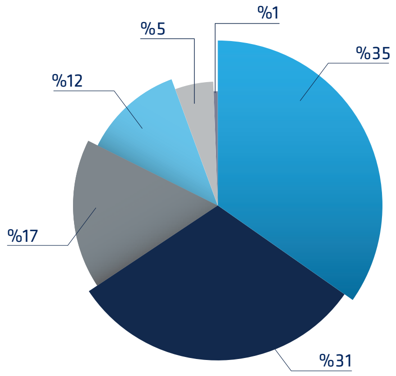
Revenue by Geography
87.3 KD million

- Kuwait 78%
- Egypt 12%
- Jordan 5%
- Oman 4%
- Others 1%



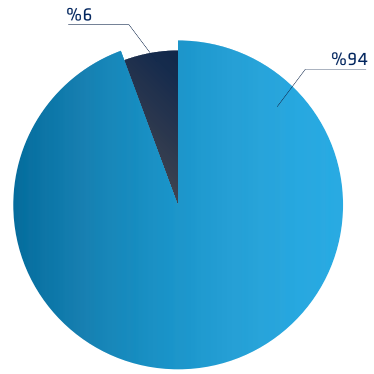
Assets by Segment
665.5 KD million

- Rental 51%
- Hospitality 20%
- Real estate development 18%
- Contracting 5%
- Property trading 4%
- Real estate services 2%



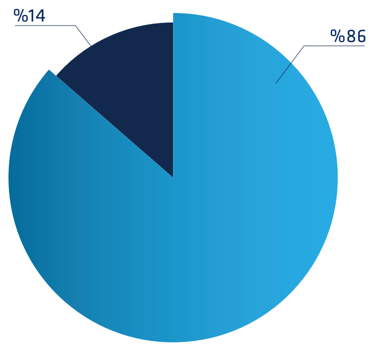
Revenue by Segment
87.3 KD million

- Rental 35%
- Real estate services 31%
- Hospitality 17%
- Contracting 12%
- Real estate development 4%
- Property trading 1%



Debt Mix
371 KD million

- Non-current 94%
- Current 6%

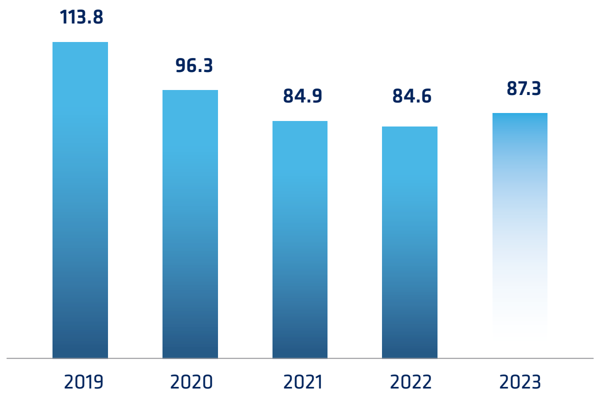


Assets Mix
665.5 KD million

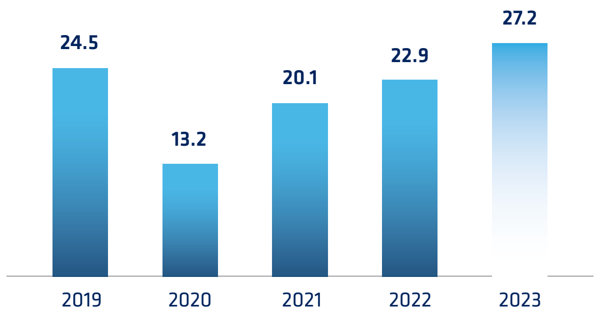
- Long Term 86%
- Short Term 6%

Key **Financial** Highlights

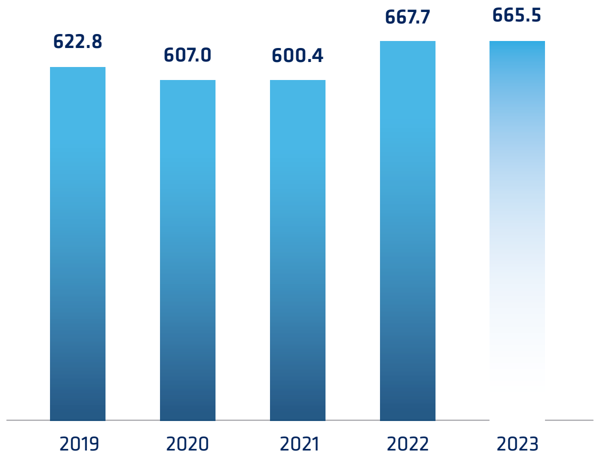
REVENUE
KD million



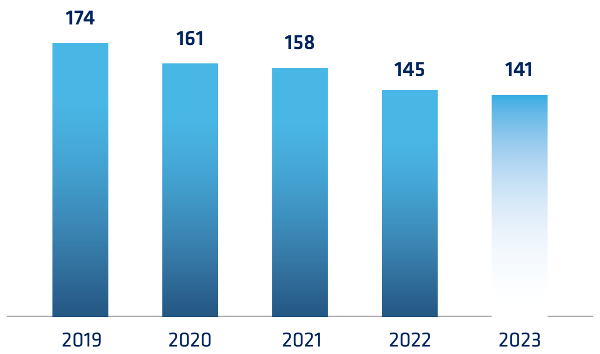
GROSS PROFIT
KD million



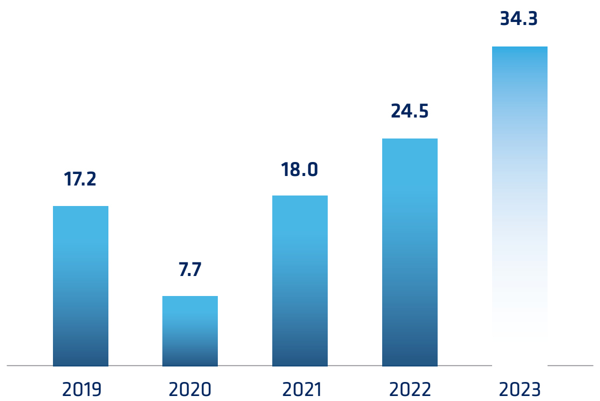
TOTAL ASSETS
KD million



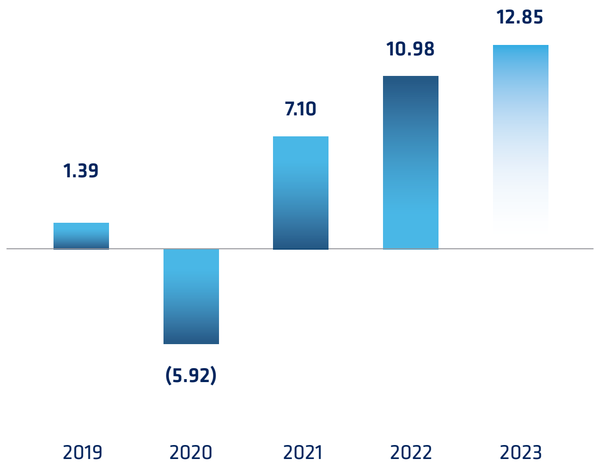
BOOK VALUE PER SHARE
* Fils



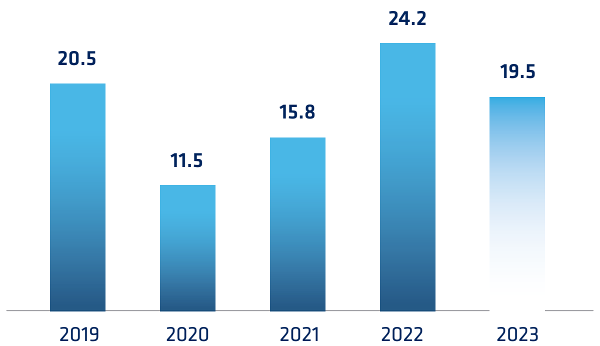
EBITDA
KD million



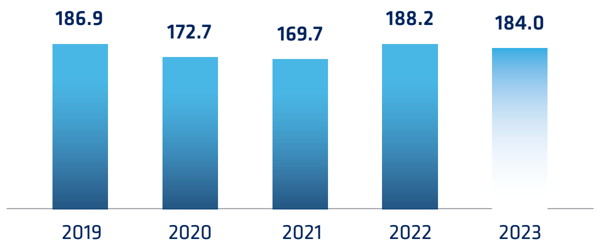
EARNINGS BEFORE NON-CASH ITEMS
KD million



CASH FLOW FROM OPERATIONS
KD million



SHAREHOLDERS EQUITY
KD million



URC AT A GLANCE

MISSION

URC's mission is committed to developing properties which are superior in both form and function, thereby creating added value to its shareholders, customers and communities, while conducting business in a professional, honest, transparent approach, and working with its teams and stakeholders to create a culture of inclusion that is built on trust, respect and integrity.

VISION

URC's vision is to be Kuwait's leading diversified real estate company.

11

Countries where URC's projects and assets are operated in

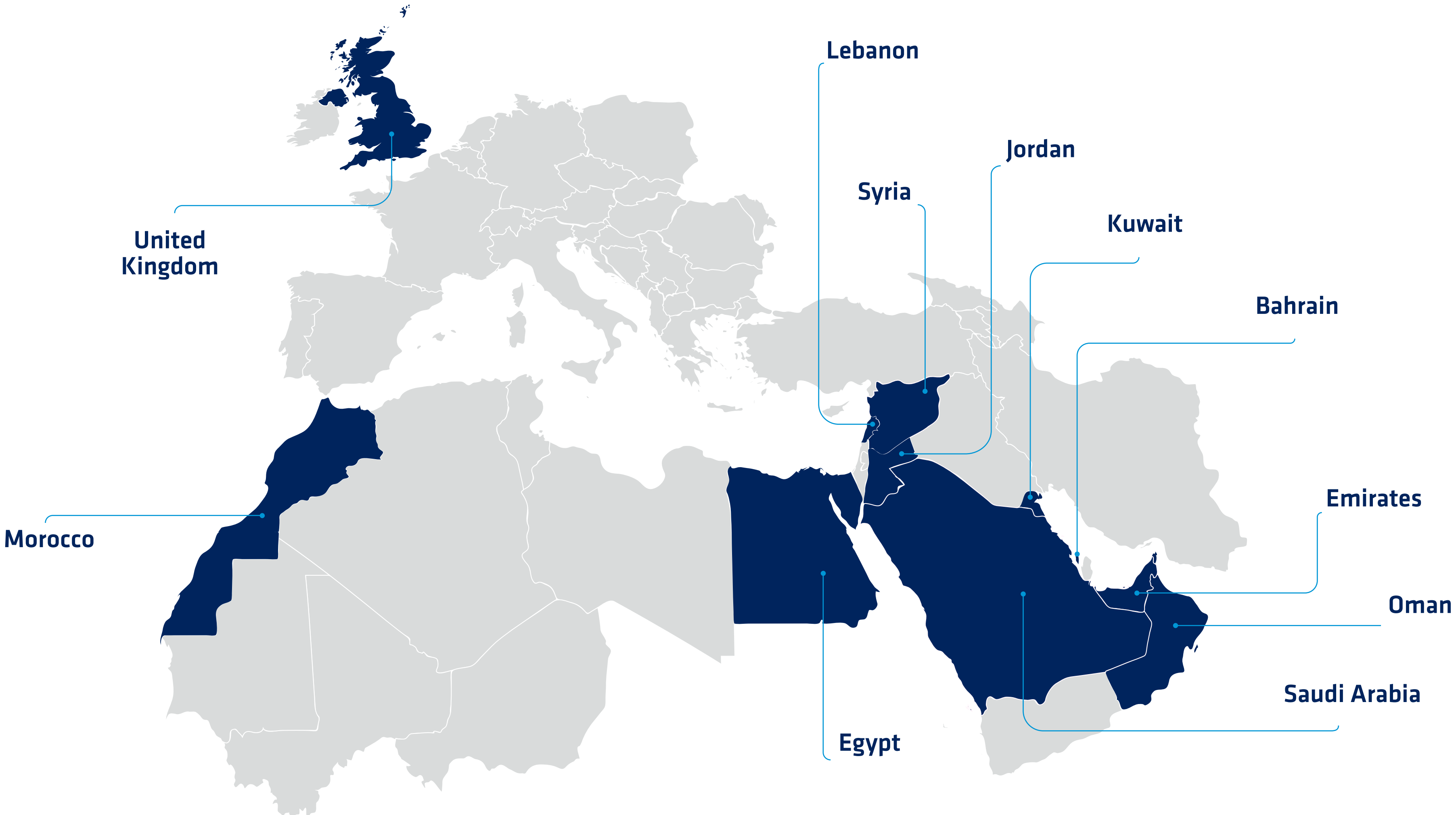
900+

KD million total assets

*Developed and managed by URC

6

Global awards in 2023



9

Sectors include a wide range of services

6

Active projects in the Middle East and North Africa

Awards and Recognitions

Best CSR Company in Kuwait 2023

Best Luxury Mixed-Use Development

Morocco's Best Golf Course 2023

Middle East's Best Overall Developer

Most Innovative Community Developer in 2023

The Youth Empowerment Symposium (Tmkeen)

50 YEAR ANNIVERSARY

50 Years of Real Estate Excellence

In 2023, URC celebrated its 50th anniversary, marking an exceptional period of remarkable transformations and advancements in the world of real estate and property development. From its inception, URC has captured attention with its bold aspirations and ambitious vision, establishing itself as a pioneer in the regional industry. The company was founded in 1973, marking the beginning of its journey, and it became publicly listed on the Kuwait Stock Exchange in 1984.

Since then, it has been relentlessly pursuing success and excellence in the real estate sector. URC has attained a significant position in both the local and regional markets due to its ambitious vision and skilled leadership. Today, the company is considered a leading player in real estate development, with assets valued at approximately KD 665.6 million as of December 31, 2023.

URC is constantly driven by its mission to deliver innovative solutions and opportunities through an integrated approach to real estate services with diverse development capabilities aGross the Middle East and North Africa. The company aims to create an added value for its shareholders, customers, and communities, while adhering to professionalism, integrity, and transparency in a work environment characterized by trust, respect, and equality.

For five decades, the company has thrived, marking its path with numerous milestones. This growth stemmed from a renewed vision and unwavering dedication to excellence. URC's success story extends aGross diverse fields, encompassing real estate development, property management, investments, and logistics. Leveraging its expertise and dedication, the company has transformed countless ideas into tangible realities, earning the trust of investors, stakeholders, and customers.

URC is committed to executing its strategy of expansion and diversification aGross its activities and operations. It has strived to establish a sustainable brand and company, originating from Kuwait and expanding into the Middle East and North Africa region. The company has embodied a culture that has significantly transformed the real estate sector. A prime example of this transformation is evident in the "Hessah District," where URC redefined the concept of residential buildings in Kuwait.

This project transcended traditional living experiences to create a distinguished lifestyle blending luxury, comfort, and diversity within a fully serviced community. The residential units in the project are equipped with state-of-the-art technologies and adhere to the highest quality standards, ensuring residents enjoy a comfortable and secure living environment.

URC remains committed to ongoing innovation and advancement, consistently pursuing the highest standards of quality and excellence aGross its projects. The culmination of fifty years of achievement underscores the company's distinction, leadership, and consistency, heralding the onset of new challenges and accomplishments ahead.

Sustainable Development Initiatives

URC is committed to achieving sustainable development through a series of initiatives that reflect its long-term vision and positive impact on society. These initiatives, a fundamental element of its operational strategy, aim to strike a balance between economic growth, conservation, and improving the quality of life for the communities it serves.

These efforts are diverse and span multiple areas, from developing innovative sustainable projects to promoting mental health awareness and empowering women. Additionally, URC strives to integrate the concept of sustainable development into all aspects of its business, including infrastructure, project planning, and resource management.

These sustainable development initiatives have long been the cornerstone of URC's journey towards building a sustainable future and shared prosperity for the communities it serves.

10

Events were held to inspire youth, promote education and health, and empower women.

8

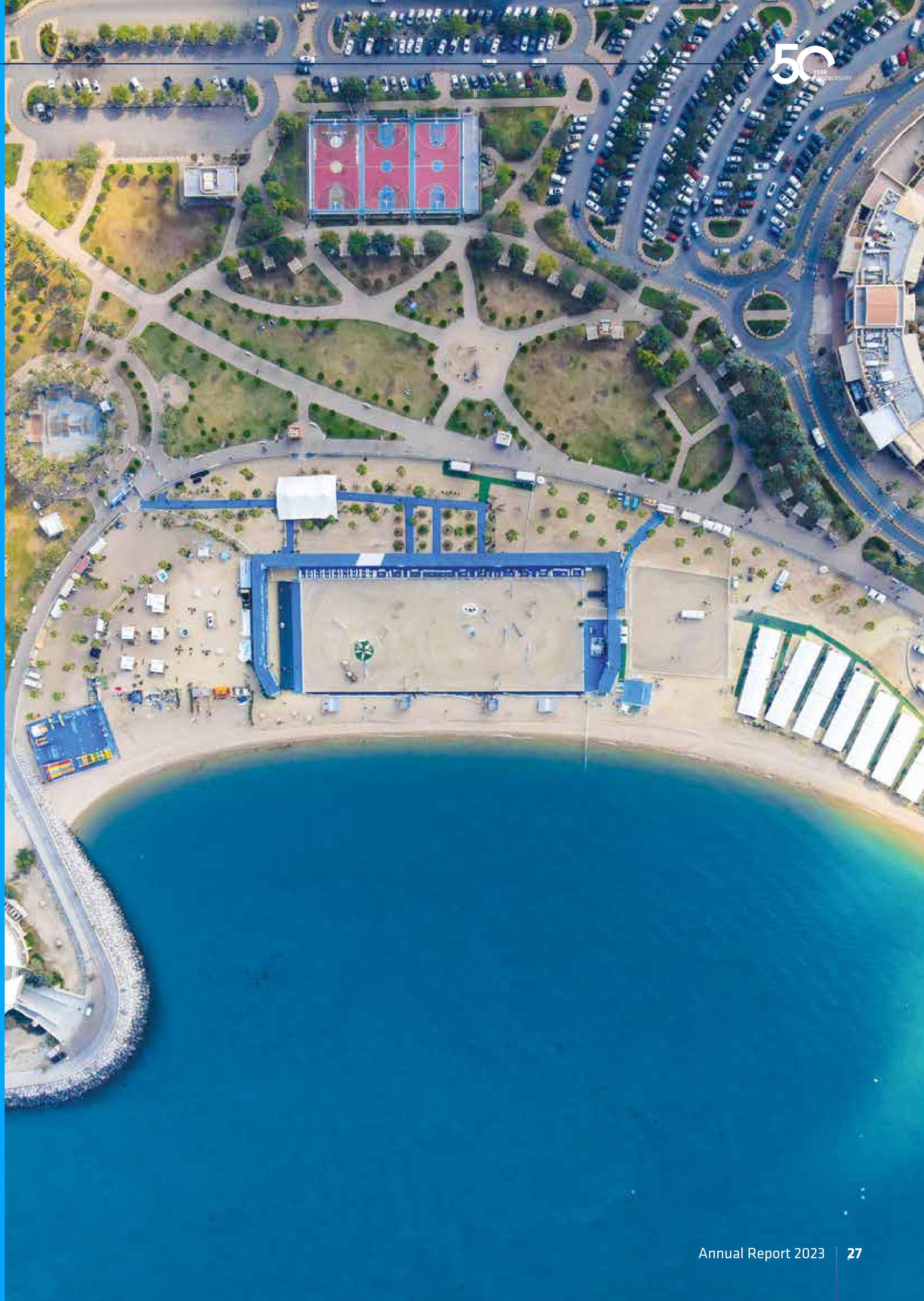
Sponsorships were provided to support various fields and promote creativity.

19

Community initiatives were participated in.

4

Strategic conferences were attended by company representatives.



URC the strategic sponsorship to the Youth Empowerment through Purposeful Theatre by Alnowair for the 2023/2024 season, under the leadership of Sheikha Intisar Al-Sabah, the founder of Alnowair, and with the support and attendance of Sheikha Bibi Al Sabah, Chairperson of URC.

The Women's Leadership Initiative aims to help young women develop their personal and leadership skills by adopting purposeful theater methods, which enables them to gain greater self-confidence and awareness of themselves and others and increases their ability to make correct decisions based on sound analyses.

URC participated as a platinum sponsor in the third Consulting Services for the Development Plan Forum (ENCON3). The event was held under the patronage of His Excellency Mr. Abzulaziz Waled Abdullah Al-Mujel, Minister of State for Municipal Affairs, and organized by the Kuwaiti Federation of Engineering Offices and Consultant Houses (KFEOCH). The theme was: "Completion of Permits Portal and Addressing Challenges of Construction & Housing Plans."

URC was represented at the forum by the company's Chief Development Officer, Architect Mishary Al Muhailan, who delivered the keynote speech. Al Muhailan also participated in a panel discussion focused on addressing the challenges of construction and housing plans, especially the dilemmas in the housing sector. At the conclusion, Al Muhailan was honored as the representative of URC, one of the main event sponsors.

URC and the Office of Alumni Affairs and Career Development at the American University of Kuwait (AUK) signed a memorandum of understanding (MOU) to develop a cooperative working relationship.

The two parties agreed to cooperate in designing and developing educational and training programs for AUK students, in addition to providing opportunities for faculty members to explore a number of projects in the field of applied research. Cooperation will also take place on initiatives targeting students and recent graduates to identify challenges and find solutions in various fields of engineering and real estate development.

URC hosted a visit for architecture students from the University of Kuwait to the "Hessah District" project for an educational study tour. The tour began with a comprehensive presentation covering various aspects of the project, such as the district's development concept, site considerations influencing construction, master plan, components, materials, finishes, and the incorporation of sustainable principles.

URC announced the conclusion of its strategic sponsorship of the 8th edition of Flare Festival, Kuwait's biggest fitness challenge. The festival achieved tremendous success, with over 7,500 attendees and nearly 3,000 participants from all over Kuwait.

It also featured diverse challenges, such as a dynamic obstacle course with 15 obstacles, strength challenges, a children's race, and various entertaining activities.

URC continues its strategic sponsorship to URC Women's Futsal League for the third consecutive season. This initiative aligns with the strategic goals with the Women's Committee of the Kuwait Football Association, aiming to enhance local women's sports and empower female athletes to excel and compete regionally and globally.

URC Takes Pride in its ongoing support for Kuwaiti sports, including women's football, which is witnessing a remarkable wave of change on the local scene.

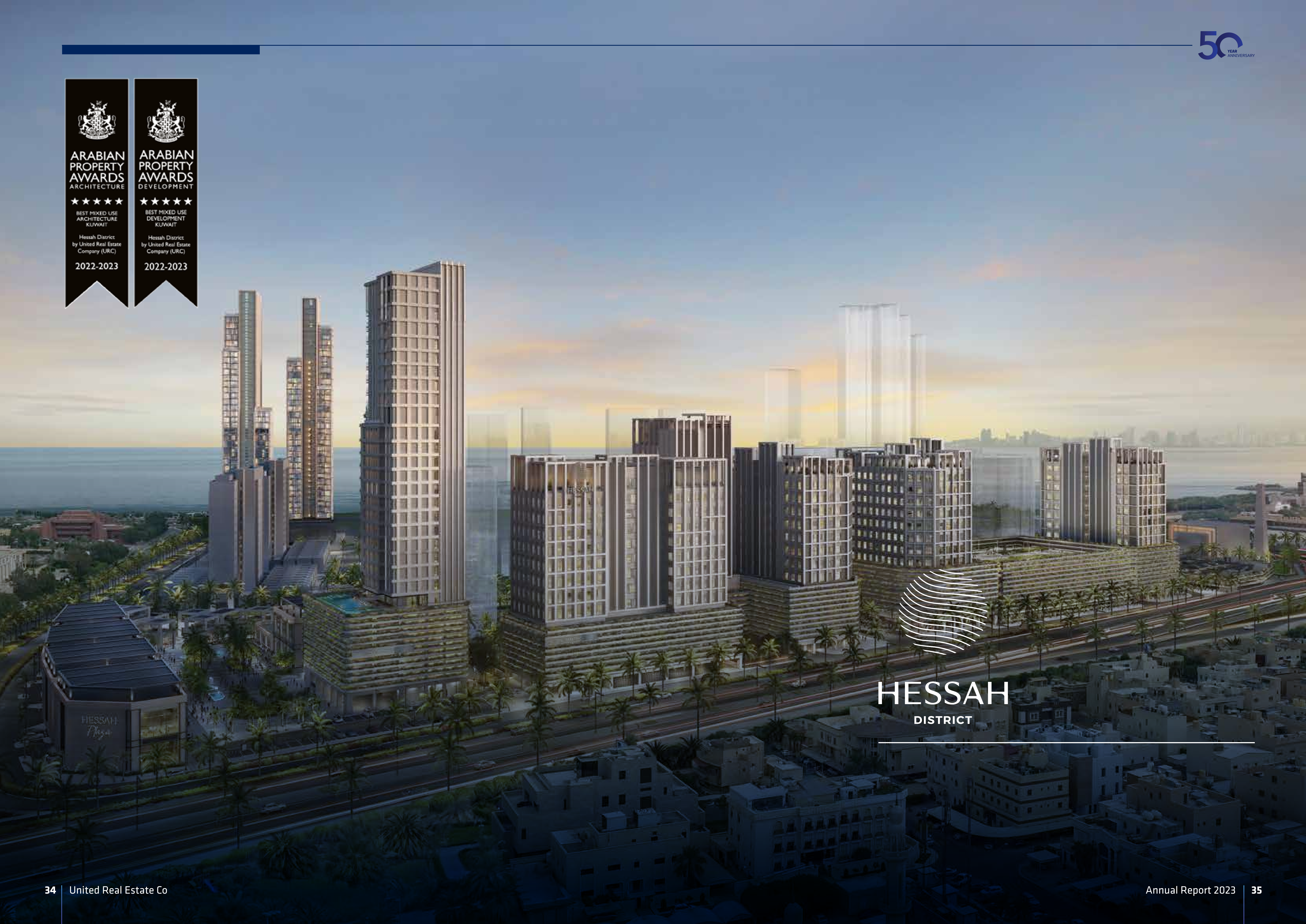
URC hosted a group of United American School students at KIPCO Tower, one of the most iconic landmarks in Kuwait City. The field trip included a tour of the tower, which gave the photography class students an opportunity to explore the design of the building and its floors, in addition to visiting the company's offices.

The visit was as an opportunity to provide students with a direct educational experience that develops their inspiration.

URC participated as a platinum sponsor at AUK Career Growth Fair 2023, underscoring commitment to human capital development and future leaders.

The company has consistently shown interest in engaging in such events designed to attract talented youth, demonstrating its continuous dedication to fostering promising individuals and offering assistance throughout their professional endeavors.

UNDER DEVELOPMENT PROJECTS


ARABIAN PROPERTY AWARDS ARCHITECTURE
BEST MIXED USE ARCHITECTURE KUWAIT
Hessah District by United Real Estate Company (URC)
2022-2023
ARABIAN PROPERTY AWARDS DEVELOPMENT
BEST MIXED USE DEVELOPMENT KUWAIT
Hessah District by United Real Estate Company (URC)
2022-2023
HESSAH
DISTRICT

HESSAH
DISTRICT

The Hessah District project is an all-inclusive community, lifestyle hub, and mixed-use development located at Hessah AlMubarak District in Kuwait.

The project brings together a variety of components including luxury residences, commercial offices, medical clinics, serviced apartments, and retail, food & beverage outlets, all of which help interconnect living and leisure for residents and commuters in this bustling epicenter for modern living.

Hessah District's residential components are designed by SSH, one of the leading master planning and design firms in the Middle East, while the mixed-use components are conceptualized by Nikken Sekkei, a world-renown architecture, engineering and planning firm headquartered in Japan, and in collaboration with PACE, a leading multidisciplinary consultant based in Kuwait.

The District is designed to embrace convenience and nature, characterized by a beautiful, pedestrian-friendly landscape equipped with modern walkways, open parks, green spaces, and public plazas. This project will introduce a new dimension of the live-work-play experience, balancing a vibrantly urban scene, alongside green and sustainable settings designed to match the aspirations of a modern living and work culture.

"THE CENTER OF VIBRANT LIVING"

Luxury LIFESTYLE AWARDS

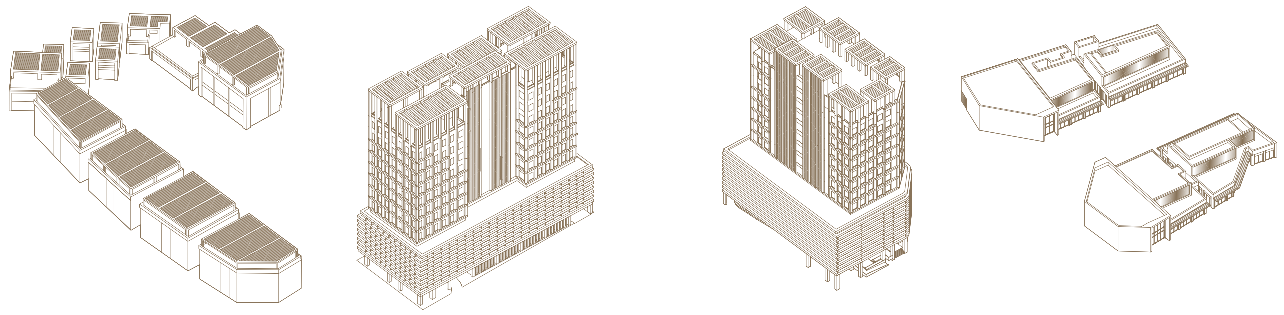
UNITED REAL ESTATE COMPANY

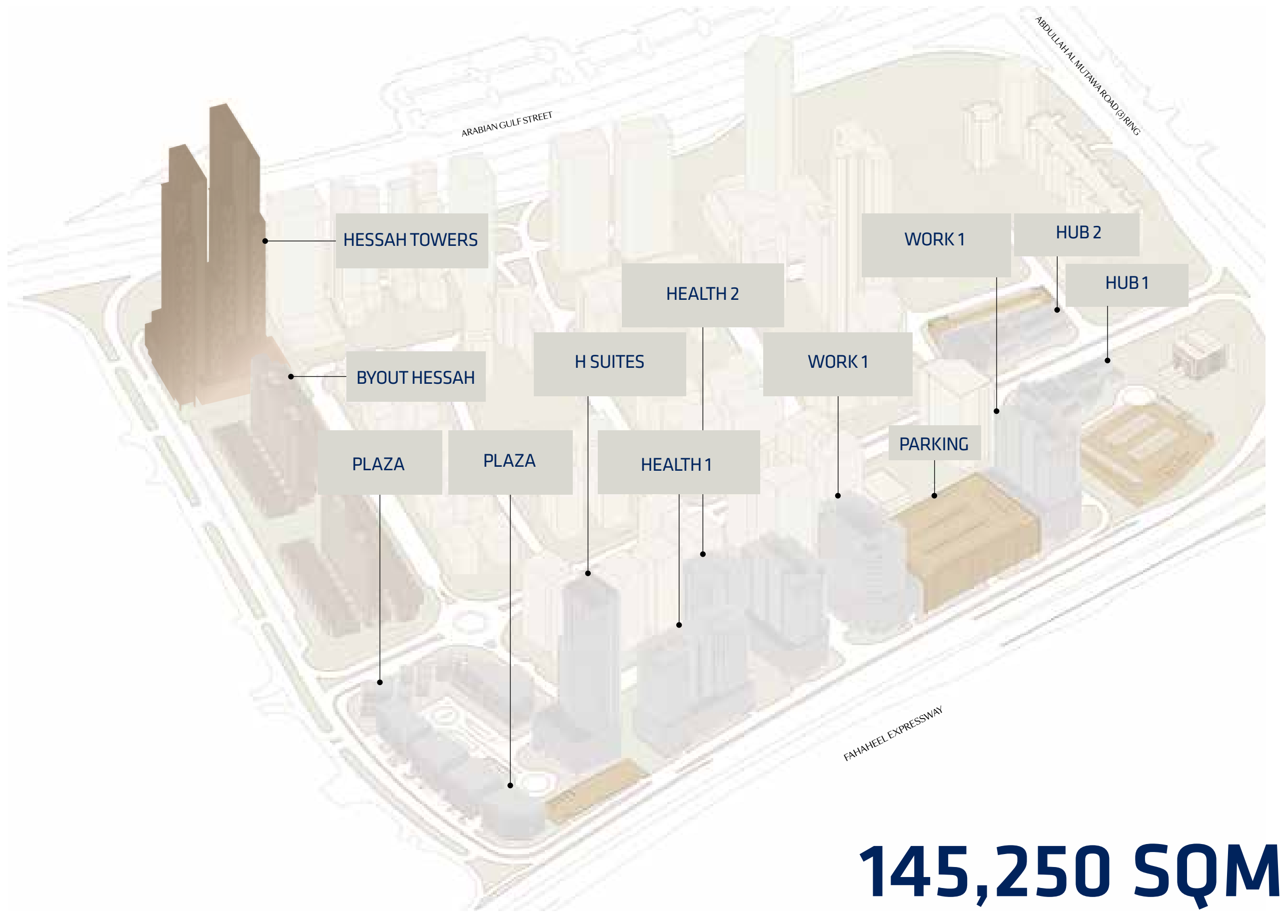
WINNER 2023

BEST LUXURY MIXED-USE DEVELOPMENT FOR HESSAH DISTRICT

KUWAIT

HESSAH PLAZA	HESSAH HEALTH	HESSAH WORK	HESSAH HUB
26	**68**	**80**	**25**
Retail and Dining Units	Core & Shell Polyclinics	Core & Shell Offices	Retail Units
Ranging from:	Ranging from:	Ranging from:	Ranging from:
50 SQM to 611 SQM	130 SQM to 978 SQM	137 SQM to 1047 SQM	70 SQM to 1082 SQM





145,250 SQM

Gross CONSTRUCTION AREA OF COMMERCIAL DISTRICT

ابراج حصة

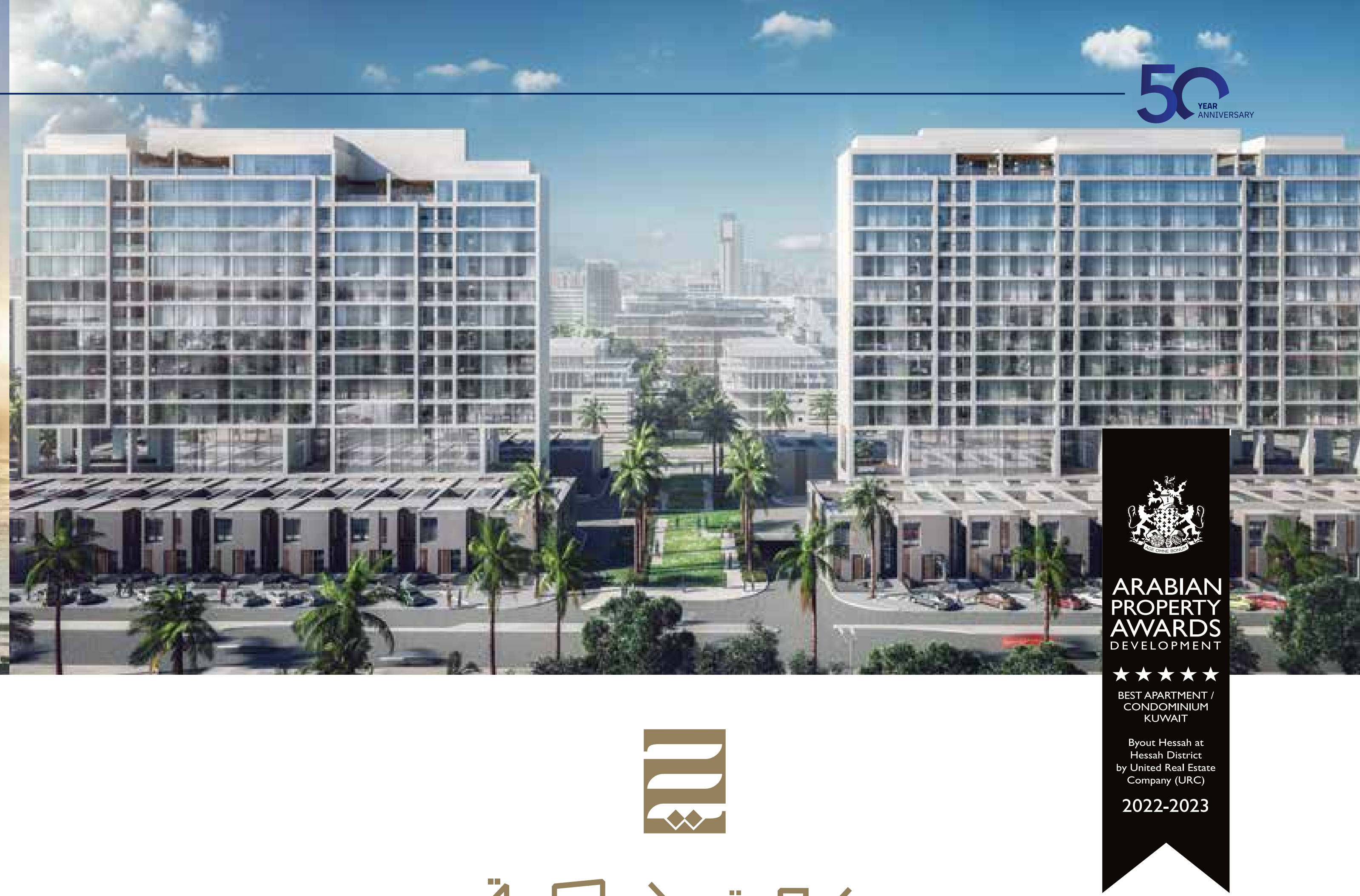
HESSAH TOWERS

A modern take on high-end residential living, Hessah Towers is a new development that defines the finest in premium luxury lifestyle. Located within Hessah District, Hessah Towers sets new standards of smart living, comfort, privacy, and security and provides its residents with an array of amenities and services.

This landmark development is offering an upscale collection of three-bedroom simplexes and duplexes, all built with floor to ceiling windows allowing owners to enjoy breathtaking views of the Arabian Gulf and Kuwait City skyline.

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 accross a land area of 5,500 square meters and a total built-up area of approximately 71,800 square meters.

Gross Construction Area	Total Plot Area	Number of Units	Expected Completion
71,800	**5,500**	**204**	**2024**
Square Meters	Square Meters	Residences	2nd Quarter



بيوت حصة

BYOUT HESSAH

With stunning views stretching from the Arabian Gulf to Kuwait City, Byout Hessah is a high-end residential development situated in Hessah 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 buildings with 104 upscale two-bedroom apartments, which include 7 penthouses. Set amidst landscaped surroundings, the development is conveniently located close to Kuwait City and Hessah District's commercial district.

Gross Construction Area	Total Plot Area	Number of Units	Expected Completion
47,000	**13,000**	**145**	**2024**
Square Meters	Square Meters	Residences	4th Quarter

ARABIAN PROPERTY AWARDS DEVELOPMENT
★★★★★
BEST LEISURE DEVELOPMENT KUWAIT
Hessah PLAZA at Hessah District by United Real Estate Company (URC)
2022-2023

HESSAH
PLAZA

A vibrant new concept that provides the opportunity to enjoy exquisite dining, to browse through high-end retail, and to create unforgettable moments with family and friends.

The beauty of the retail sector at the PLAZA is that you can choose to browse with friends or family members, or head out on a shopping adventure that's reserved just for you.

24,350 SQM
Gross construction area at Hessah PLAZA.

CASUAL DINING RESTAURANTS
A variety of fine dining and casual dinning restaurant, ranging from 244 sqm to 458 sqm.

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

Leasable Area	Total Plot Area	Leasable Units	Expected Completion
7,333	8,141	27	2024
Square Meters	Square Meters	Units	3rd Quarter

HESSAH
HEALTH

Comprising two towers that are easily accessible to Hessah District's residential and commercial developments, Hessah HEALTH provides the community with access to high-quality, trust-inspiring healthcare, which is one of the most important components of a modern society.

Facilities at Hessah HEALTH include individual receptions for clinics, lifts to accommodate wheelchair access, separate air conditioning units, a valet parking service, assigned private parking, an on-site pharmacy, an on-site laboratory, and state-of-the-art radiography facilities.

Nestled between the two towers is a lush, landscaped courtyard that offers a space for healthcare workers, their patients, and passersby to connect with themselves, each other, and with nature.

41,228 SQM
Gross construction area at Hessah HEALTH 1 and HEALTH 2. State-of-the-art medical clinic.

Leasable Area	Total Plot Area	Leasable Units	Expected Completion
10,723	4,292	63	2025
Square Meters	Square Meters	Units	1st Quarter

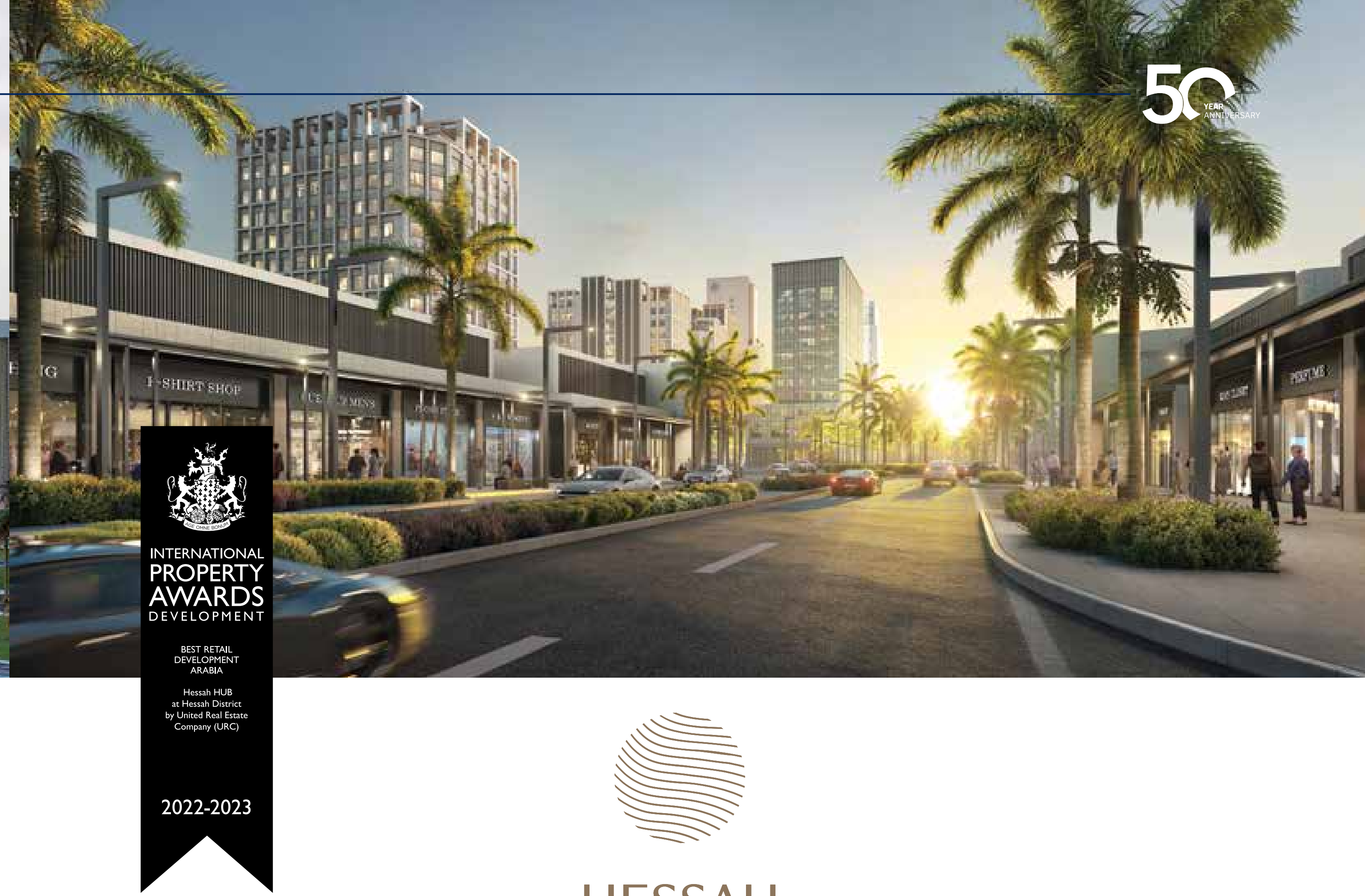
HESSAH
WORK

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

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

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

Leasable Area	Total Plot Area	Leasable Units	Expected Completion
16,496	5,237	80	2025
Square Meters	Square Meters	Offices	1st Quarter



HESSAH
HUB

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

4,262 SQM
Total leasable area at Hessah HUB.

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

Leasable Area	Total Plot Area	Leasable Units	Expected Completion
4,262	4,262	25	2024
Square Meters	Square Meters	Units	4th Quarter

H SUITES

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

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

23,616.34 SQM
Total leasable area at H SUITES.

Leasable Area	Total Plot Area	Total number of Units	Expected Completion
6,927	**1,649**	**90**	**2025**
Square Meters	Square Meters	Keys	2nd Quarter


WALDORF ASTORIA®
CAIRO · HELIOPOLIS

WALDORF ASTORIA®
CAIRO · HELIOPOLIS

Waldorf Astoria Cairo Heliopolis Hotel is one of the luxurious hotel brands affiliated with Hilton, Which had its construction completed in 2023 by Gulf Egypt for Hotels and Tourism Company, a subsidiary of URC.

The hotel offers, in its distinctive architectural style, elegant atmospheres and exceptional experiences that meet the guests' aspirations and needs from the heart of the capital of Egypt, Cairo. It provides a luxurious sanctuary and an oasis of tranquility amidst enchanting botanical gardens, allowing guests to enjoy a luxurious and relaxing stay away from the hustle and bustle of the city center. The hotel is located on Al Orouba Street in the upscale neighborhood of Heliopolis, Cairo, just minutes away from Cairo International Airport.

Guests have easy access to the most prominent tourist attractions as well as the long-awaited Grand Egyptian Museum. Additionally, the up-and-coming New Administrative Capital, a new urban community home to government, residential, business and cultural districts, is also within convenient reach from the hotel.

235	17	6	5	4
Specious and Residential Guest Rooms	Lavish and Well-Appointed Suites	Meeting Rooms and Business Centers	Luxury Spa Treatment Suites	Destination Dining Concepts


ASSOUFID
GOLF CLUB
MARRAKECH

ASSOUFID
RESIDENCES
MARRAKECH

ASSOUFID
GOLF CLUB
MARRAKECH

Spanning aGross 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. While the third phase of the Assoufid development will introduce additional premium villas and apartments.

It is worth mentioning that the main infrastructure works, roads, and associated utilities works have been completed. Currently, we are engaged in the construction of the infrastructure for the southern access point, facilitating connectivity between the project and the main roadways.

Morocco's Best Golf Course 2023
by World Golf Awards for Assoufid Golf Club

Excellence, as a lifestyle.

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.

OPERATING **SUBSIDIARIES**

UFM
المتحدة لإدارة المرافق
United Facilities Management

Established in 2008, UFM is the first company in Kuwait to offer comprehensive property and facility management and related consultancy services. UFM offers facility management services from design to operations and serves government ministries and commercial establishments.

The Company maintains several government complexes, residential towers, mix-use complexes, and oil sector facilities. The Company's portfolio includes commercial and residential real estate management services in several countries in the MENA Region.

United Facilities Management Company K.S.C.C (UFM) is a subsidiary of United Real Estate Company K.S.C.P (URC) with a stake of 99.2% and is one of the leading companies in the field of integrated facilities management services.

In 2023, the company continued its expansion of services, encompassing facility management, maintenance, operation, and support services for diverse entities aGross various sectors, aligning with its operational and expansion strategies. Additionally, it sustained a robust and diversified customer base.

United Facilities Management (UFM)

Mr. Azzaz Al Hothail
Acting CEO

UBC UNITED BUILDING COMPANY
شركة المباني المتحدة (ش.م.ك.م)

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

In 2023, UBC was awarded various contracting projects, including various infrastructure work in the Hessah AlMubarak District and Sabah Al-Ahmed Sea City. The Company's completed construction project portfolio includes Fahaheel Medical Center, Sheikha Salwa Al Sabah Center for Stem Cell and Umbilical Cord, Public Prosecution Headquarters, EPW & BOT Headquarters, in addition to other projects.

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, in addition to developing various residential buildings which aligns with the company's growth plans.

United Building Company (UBC)

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

شركة الخليج مصر للفنادق و السياحة
GULF - EGYPT FOR HOTELS & TOURISM (S.A.E.)

Established in 1976, Gulf-Egypt for Hotels & Tourism (S.A.E) is an Egyptian-based subsidiary company 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.

Gulf-Egypt for Hotels & Tourism

Mr. Mohsen Abu Al Azm
Managing Director

AL REEF الريف
Real Estate للعقارات
ش.م.ع.م

Established in 2007, Al Reef Real Estate Company is a closed Omani joint-stock company operating in the development, sale, and rental of real estate in the Sultanate of Oman. The company's portfolio includes Salalah Gardens Mall & Residences, the first integrated shopping center in the city of Salalah.

Spanning over 86,000 square meters, this award-winning shopping center offers a diverse array of shopping, dining, and entertainment options, along with traditional markets and the city's first cinema and exhibition complex.

Combining traditional Omani architectural styles with modern interior fittings, Salalah Gardens Mall also features spacious gardens and open-air spaces for visitors to relax and enjoy.

Al Reef Real Estate

Mr. Khalid Al Zadjali
General Manager

REGIONAL COMPANIES

United Real Estate Holding for Financial Investments

Mr. Mohamed Helmy Shakweer
Managing Director

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

Headquartered in Cairo, United Real Estate Holding for Financial Investments supports URC's operations and strategies in Egypt by overseeing its planned activities and businesses, its regional portfolio of assets and real estate investments, and manages land bank assets and property development through project planning and supervision related to URC's subsidiaries in Egypt, including: Aswar Residences, owned by its subsidiary, Aswar United Real Estate Company S.A.E., and Medius owned by its subsidiary, Manazel United for Real Estate Investment Company S.A.E.

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

United Real Estate Company - Jordan

Mr. Fares Khazaali
General Manager

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

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

United Real Estate Company (Holding) – Lebanon

Mr. Mohamed Hashem
Administrative and Financial Director

Established in 1975, United Real Estate Company Lebanon (Holding) is headquartered in Beirut and serves as one of the primary investment arms owned by United Real Estate Company (P.S.C.) in the Republic of Lebanon.

United Real Estate Company Lebanon (Holding) oversees its subsidiaries in Lebanon, which include the Raouche View, renowned as one of Beirut's most luxurious residential complexes. Owned by United Real Estate Company, the building offers amenities rarely found in the city's upscale properties. Situated opposite the iconic Raouche Rocks, a natural landmark and tourist attraction in Beirut, the building comprises of 22 floors, spread aGross two interconnected towers, accommodating 40 apartments and 2 duplex penthouses.

Additionally, the Bhamdoun Hotel and Mall, under the ownership of Bhamdoun United Real Estate Company, is renowned as one of the premier and most opulent establishments in the Mount Lebanon area.

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 35.7 % stake, along with other reputable KIPCO Group subsidiaries.

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

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

Insha'a Holding Company

Mr. Haitham Mohammed Al Refaei
Chief Executive Officer

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

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

Assoufid Group

Mr. Yahia Er-Rida
Executive Director

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

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

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

CORPORATE **GOVERNANCE REPORT**

شركة العقارات المتحدة
URC United Real Estate Co

Corporate Governance Report

For the Financial Year ended 31/12/2023

Document Reference: 15. CMA153079-23.1.1.

1. First Rule - Construct a Balanced Board Composition

a. Brief on the formation of the Board of Directors

Name	Membership	Qualifications & Experience	Election Date/ Appointment
Sheikha. Bibi Nasser Sabah Al-Ahmad Al-Sabah	Non-Executive	Sheikha Bibi Nasser Al-Sabah has served as a Board Member of United Real Estate Company K.S.C.P (URC) since 2006 and has been appointed as the Chairperson of the Board in 2019 and reappointed in 2022. She has more than 17 years of professional experience in the field of management and has actively served as a member of several Board Committees. Sheikha Bibi graduated in 2003 with a B.A in Liberal Arts from The New School University of New York City. She founded in 2005 the Social Work Society (SWS), a Kuwaiti civil-society organization aimed to protect, support, and provide services to victims of human rights violations and marginalized groups. She was awarded the Prestigious Chaillot prize for her persistent promotional efforts on human rights in the Arabian Gulf.	08/05/2022
Mr. Mazen Issam Hawwa (Representing Al-Dhiyafa United Real Estate Co.)	Executive	Mr. Mazen Issam Hawwa has been serving as URC's Vice-Chairman and Group Chief Executive Officer since 2020, he is a senior executive with over 25 years of multi-facet experience in various industries including real estate and financial services. and sits on the board of its several group companies. Mr. Hawwa joined KIPCO Group as part of the finance and accounts team in 2001 and was last the Deputy Group Chief Operating Officer leading finance and operations. He also serves on the board of several KIPCO operating subsidiaries providing thought leadership, advice on strategic directives, financial planning, and governance. Mr. Hawwa holds an Executive MBA from HEC Paris and is a graduate of the Lebanese American University. He has attended several executive education programs, including the General Management Program at Harvard Business School, and holds several professional qualifications from prominent US-based institutions.	08/05/2022

Name	Membership	Qualifications & Experience	Election Date/ Appointment
Mrs. Sanaa Abdullah Hamad Al Hadlaq (Representing First North Africa Real Estate Company)	Non-Executive	Mrs. Sanaa Al-Hadlaq enjoys extensive and demonstrated experience in the field of investment and wealth management. She joined KAMCO Investment Company in 2002 and is currently the Senior Executive Director of wealth Management. In addition to being a board member of several leading companies in the field of real estate, financial and investment services, and a member of board committees. She's known for promoting sound customer relations and advisory, investment opportunities, and developing the company's client base. Prior to joining KAMCO, Mrs. Al-Hadlaq was the Head of Planning and Development at the Kuwait News Agency (KUNA). Mrs. Al-Hadlaq is a graduate of Kuwait University in the field of political science and public administration. She holds several professional qualifications from prominent institutions in the field of wealth management and leadership.	08/05/2022
Sheikh. Fadel Khaled Al-Sabah	Independent	Sheikh Fadel Al-Sabah has 40 years of experience in the fields of business management and real estate investment, he holds a post graduate degree in business administration.	08/05/2022
Mr. Mahmood Ali Tifouni (Representing Al-Zad Real Estate Co.)	Non-Executive	Mr. Mahmood Tifouni has over 2 years of experience in the field of Asset Management. He serves as the Director for Equity & Fixed Income at KAMCO Invest, along with his membership on several boards of directors including Manafea Holding Company, and URC, and actively serves on Board Committees. Prior to joining KAMCO, he co-founded in 2005 the Social Work Society (SWS), a Kuwaiti civil society organization aimed to protect, support, and provide services to victims of human rights violations and marginalized groups. And worked at the Kuwait Fund for Arab Economic Development. Mr. Mahmood holds a bachelor's degree in finance from the University of Denver since 2002.	08/05/2022

Name	Membership	Qualifications & Experience	Election Date/ Appointment
Mr. AbdulAmir Qasem Al-Muscati	Independent	Mr. Abdul Amir Al Muscati has over 20 years of experience in the fields of communications, contracting, project management, and real estate development. He is the General Manager of Middle East Telecommunications Company (METCO) in addition to his membership on the board of directors of United Real Estate company. Prior to that, Mr. Abdul Amir served as the VP, of business development at United real estate Company, as well as the CEO of Al Dhiyafa Holding Company, and the General Manager of United Universal Company and United Real Estate Company, Bahrain. In addition to his membership on the boards of Al Dhiyafa Holding Company, United Facilities Management, and Al Reef Real Estate Company, Oman. Mr. Abdul Amir has a bachelor's degree in electrical engineering from California State University, Los Angeles.	08/05/2022
Mr. Adel Jassem Al-Waqayan (Representing Tadamon United Holding Company)	Non-Executive	Mr. Adel Jassem Al-Waqayan has over 35 years of experience in the banking and real estate investment sectors, he holds an MBA from the University of Southern Indiana (USI).	04/05/2023*
Mr. Abdo Salameh El-Dabea	Board Secretary	Mr. Abdo Salameh El Dabe has more than 30 years of experience and specialization in various legal fields, including civil laws, commercial laws, corporate laws, and capital markets authority laws. He has extensive exposure to legal procedures, rules, and practices applicable in Kuwait and among many countries in the Middle East. As well as in mergers and acquisitions, Private and Public Partnerships (PPP), real estate development, real estate management, services, contracting, and hospitality projects. He heads the department of legal affairs and litigation at United Real Estate Company. Mr. Abdo holds a bachelor's degree in law since 1994 from the Faculty of Law at Alexandria University, Arab Republic of Egypt. He has participated in many scientific and legal events and conferences related to various aspects of the law and its practices.	Appointed on 12/08/2021

* Al Tadamun United Holding Company was elected during the General Assembly held on 04/05/2023 as a complementary member for United Real Estate Company K.P.S.C. Board of Directors in its session. Subsequently, the Company appointed Mr. Adel Jassim Al-Waqayan as its representative on the Board.

b. Brief on the Company's Board of Directors' meetings.

The Board of Directors (BOD) was formed during the Annual General Meeting (AGM) held on 08/05/2022. The BOD held 12 meetings during 2023. The meeting details are as follows.

Board of Director Meetings during 2023							
Name of Member	Meeting No. (1) Held on 08/01/23	Meeting No. (2) Held on 26/01/23	Meeting No. (3) Held on 14/05/23	Meeting No. (4) Held on 07/03/23	Meeting No. (5) Held on 19/04/23	Meeting No. (6) Held on 14/05/23	Meeting No. (7) Held on 03/08/23
1. Sheikha. Bibi Nasser Al-Sabah (Chairperson)	✓	✓	✓	✓	✓	✓	✓
2. Mr. Mazen Issam Hawwa (Vice Chairman & Group CEO)	✓	✓	✓	✓	✓	✓	✓
3. Sheikh. Fadel Khaled Al-Sabah (Independent Member)	✓	✓	✓	X	X	✓	X
4. Mr. AbdulAmir Al-Muscati (Independent Member)	✓	✓	✓	✓	✓	✓	✓
5. Mrs. Sana Abdullah Al-Hadlaq (Non-Executive Member)	✓	✓	✓	✓	✓	✓	✓
6. Mr. Mahmood Ali Tifouni (Non-Executive Member)	✓	✓	✓	✓	X	✓	✓
7. Mr. Adel Jassem Al-Waqayan* (Non-Executive Member)	NA	NA	NA	NA	NA	✓	✓

*The Board Director – Tadamon United Holding Company has appointed Mr. Adel Jassem Al-Waqayan as its representative during the BOD meeting No.5 – 2023

Board of Director Meetings during 2023 (Continued)						
Name of Member	Meeting No. (8) Held on 11/10/23	Meeting No. (9) Held on 9/11/23	Meeting No. (10) Held on 15/11/23	Meeting No. (11) Held on 20/11/23	Meeting No. (12) Held on 20/12/23	Number of Meetings
1. Sheikha. Bibi Nasser Al-Sabah (Chairperson)	✓	✓	✓	✓	✓	12
2. Mr. Mazen Issam Hawwa (Vice Chairman & Group CEO)	✓	✓	✓	✓	✓	12
3. Sheikh. Fadel Khaled Al-Sabah (Independent Member)	X	X	X	✓	✓	6
4. Mr. AbdulAmir Al-Muscati (Independent Member)	✓	✓	✓	✓	✓	12
5. Mrs. Sana Abdullah Al-Hadlaq (Non-Executive Member)	✓	✓	✓	✓	✓	12
6. Mr. Mahmood Ali Tifouni (Non-Executive Member)	✓	✓	✓	✓	✓	11
7. Mr. Adel Jassem Al-Waqayan* (Non-Executive Member)	✓	✓	✓	✓	✓	7

*The Board Director – Tadamon United Holding Company has appointed Mr. Adel Jassem Al-Waqayan as its representative during the BOD meeting No.5 - 2023

c. 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 upon the invitation of the Chairperson of the Board and in case of an emergency meeting, a written request must be submitted by two members of the Board. In 2023, no emergency meetings were held. Invitations are 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, conflicts of interest, or dissenting opinions raised during the meeting. Minutes of meetings are recorded and indexed under sequential numbers for every year, it shows the meeting place, date, and time (start to end). Subsequently, minutes of a meeting are signed by all attended members and attached to documents presented and discussed. Finally, it is stored by the secretary in a dedicated and easily accessible record.

d. Acknowledgment by the independent member that the controls of independence are available.

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

وزارة التجارة والصناعة
Ministry of COMMERCE and Industry

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه عبد الأمير قاسم جعفر علي ، بطاقة مدنية (أو جواز سفر لغير المقيم) رقم 282081901505 ، والمرشح كعضو مجلس إدارة مستقل لدى شركة العقارات المتحدة ش.م.ك. عامة بأنه تتوافر لدي الشروط التالية :

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

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

الإســـم : عبد الأمير قاسم جعفر علي

التـاريخ : 08/05/2022

التوقيع :

وزارة التجارة والصناعة
Ministry of COMMERCE and Industry

إقرار عضو مجلس الإدارة المستقل

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

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

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

الإســـم : الشيخ/ فاضل خالد الجابر الصباح

التـاريخ : 08/06/2022

التوقيع :

2. Second Rule - Establish Appropriate Roles and Responsibilities

a. **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 up 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 the delegation of authority manual and matrix, that details - for a set period of time – the authorities vested for both members of the Board and Executive Management regarding administrative, financial, and operational transactions related to the Company's operations and activities. Ultimately, the Board is responsible for the Company, despite the committees formed or works delegates to others.

b. **Achievements of the Board of Directors during the year**

- Discuss and approve the annual budget including the assessment of the capital structure and fiscal aims.
- Discuss and approve the audited final financial statements for the year 2022 as well as the interim financial statements for the year 2023.
- Approve the Company's policies and procedures and its latest updates.
- Monitor and supervise the performance of Executive Management and take necessary measures to improve that performance.
- Follow-up and discuss the latest updates over corporate projects including (Hessah Al Mubarak District Project - Assoufid Phase II Project "Morocco" - Manazil Project "Egypt" - The Waldorf Astoria Hotel "Egypt"). In addition to the approval of profitable exit plans from some low-yielding investments.
- Discuss and approve the reports submitted by the various committees to the Board of Directors including Risk Management reports and reports indicating compliance with the latest regulations and policies adopted by the Board.
- Discuss new investment opportunities offered by and to the Company.
- Assessing the effectiveness of committees and their members.

c. **An overview on the requirements for forming independent and dedicated Board Committees**

Committee Name	Nomination & Remuneration Committee
Committee Tasks	▪ Recommend nomination and re-nomination acceptance for Members of a Board of Directors and executive management members. ▪ Set the policy for Members of a Board of Directors and executive management members' remunerations, along with an annual review of the required proper skills for Board membership. ▪ Import applications for executive positions as required, study and revise the application, and determine various remuneration categories to be provided for employees. ▪ Design job descriptions for Executive Members, Non-Executive Members of a Board of Directors, and independent members. ▪ Ensure that Members of a Board of Directors' independency is valid. ▪ Prepare a report of the total remunerations granted to Members of the Board of Directors, the executive body, and the managers, whether cash or benefits or privileges, of whatever nature and title, directly or indirectly through the company or Subsidiary Companies.
Achievements throughout the Year	▪ Reviewed the qualifications of the nominee for the BOD and executive management and provided 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. ▪ Performed the board self-assessment. ▪ The periodic review of the required qualifications for filling the new "appointments" positions.
Date of Formation	08/05/2022
Committee Tenure	3 years
Members of the Committee	Sheikha\ Bibi Nasser Al-Sabah - President Mr. Abdul Amir Qasem AlMuscati* - Member Mr. Mahmood Ali Tifouni - Member
Number of Meetings/Year	4

* The committee was reformed during the BOD meeting No. 6 on 14 May 2023, at which Mr. AbdulAmir Qasem Al-Muscati replaced Sheikh. Fadel Khaled Al-Sabah as a member of the committee.

Name of Committee	Audit Committee
Committee Tasks	▪ Review periodical financial statements prior to their submission to the Board of Directors and provide the Board with opinions and recommendations. ▪ Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the external Auditors, and specify the remunerations thereof, in addition to verifying their independence and reviewing their engagement letters. ▪ Follow up works of external Auditors. ▪ Consider remarks of external auditors on the company financial statements and follow-up measures taken regarding them. ▪ Consider the applied accounting policies and provide the Board of Directors with opinions and recommendations in this regard. ▪ Evaluate the extent of sufficiency of internal audit systems in place and prepare a report including the opinion and recommendations of the committee in this regard. ▪ Supervise the company's internal audit department, to ensure its effectiveness in performing the operations and tasks assigned by the board of directors. ▪ Recommend the appointment of an internal audit manager, his/her transfer, and removal, in addition to evaluating his/her performance, and the performance of the internal audit department. ▪ Review and approve audit plans proposed by the internal auditor and provide feedback. ▪ Review the results of the internal audit reports and ensure that the necessary corrective actions were taken concerning the observations stated in such reports. ▪ Review the outcomes of regulatory bodies', reports and ensure that necessary measures were taken in this regard. ▪ Verify the company's compliance with related rules, policies, and regulations.
Achievements throughout the Year	▪ Reviewing and discussing interim and annual financial data to ensure its integrity and accuracy. ▪ Recommending to the BOD the appointment of the external auditor, from the list of approved internal auditors, while taking into consideration the mandatory rotation period, in addition to ensuring his independence, agreeing on his fees, and monitoring his performance. ▪ Assessing the applied accounting policies and expressing an opinion and recommendation in this regard before the Board of Directors. ▪ Ensure the adequacy and effectiveness of the internal control systems within the company through the Internal Control Environment report issued by the Internal Audit Department. ▪ Discussing and approving the Internal Control Review "ICR" report for the year ending December 31, 2022, prepared by Al-Nisf & Partners BDO. ▪ Ensuring the company's compliance with the applicable laws, policies, systems, and instructions and reviewing the results of the regulatory authorities' reports, noting that no whistleblows were received during the year 2023. ▪ Discussing the strategic internal audit plan for the years 2023-2025 and approving the audit plan for the year 2023 and the annual Internal Audit Departmental budget. ▪ Supervising the work of the internal audit department and following up on the percentage of completion of the approved annual audit plan. ▪ Discussing and approving internal audit reports issued during the year 2023. ▪ Discussing and approving the Internal Audit Department's annual self-assessment questionnaire (IAD's Annual Self-Assessment Questionnaire). ▪ Follow-up on previous audit observations issued during the years 2016 to 2023, which were reduced by 33%.

Name of Committee	Audit Committee (continued)	
Date of Formation	08/05/2022	
Committee Tenure	3 years	
Members of the Committee	Mr. Mahmood Ali Tifouni	President
	Mr. Adel Jassem Al-Waqayan	Member
	Mr. AbdulAmir Al-Muscati	Member
Number of Meetings/Year	8	

Name of Committee	Risk Management Committee
Committee Tasks	▪ Reviewing and refining risk management strategies and policies to ensure they are effectively implemented and aligned with the company's operations and scale. ▪ Approve and/or recommend changes over the identification, assessment and monitoring for various types of corporate risks. ▪ Approve and/or recommend changes to the risk appetite, as needed. ▪ Assist BOD and Executive Management in identifying and assessing acceptable levels of risk for the Company. ▪ Ensuring the provision of sufficient resources and infrastructure for effective risk management department. ▪ Promoting a comprehensive understanding of the company's risk landscape among risk management personnel and fostering greater awareness among employees. ▪ Empowering risk management officials with the necessary authority to fulfill their responsibilities efficiently, without extending financial powers. ▪ Maintaining the autonomy of risk management staff from activities that could potentially expose the company to risks. ▪ Establishing principles, policies, strategies, processes, and frameworks to oversee risk management effectively.
Achievements throughout the Year	▪ Adopting adjustments to the risk profile that mirror the company's acceptable risk threshold. ▪ Overseeing the progress of its operational projects, as well as those in development or scheduled for sale, to determine the existing risk level and essential measures intended to mitigate and/or minimize the impact of those risks. ▪ Reviewed recommendations of the Risk Management Department regarding transactions with related parties. ▪ Submitted regular reports to the BOD on risk assessment and mitigations.
Date of Formation	08/05/2022
Committee Tenure	3 years
Members of the Committee	Sheikh\ Fadel Al-Sabah President Mr. Mazen Issam Hawwa Member Mrs. Sanaa Abdullah Al Hadlaq Member
Number of Meetings/Year	4

d. **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 those requirements through an integrated information system connected to its accounting system (Oracle Cloud). Whereby, system users can create the necessary financial and analytical reports to follow up on various operations within the Company, in what enables Board members to obtain information accurately, and promptly evaluate operating performance, and make necessary decisions. This is in addition to the system of periodic financial, operational, analytical, and evaluative reports presented to the Board.

3. Third Rule - Recruit Highly Qualified Candidates for Members of the Board of Directors and Executive Management

a. **Brief about the application of the formation requirements of the Nominations and Remunerations Committee**

The Board of Directors has formed a Nomination and Remuneration Committee, which consists of 3 Board members (two non-executive members + independent members). The committee is responsible for reviewing and recommending over nominations for Board membership as well as nominations for positions in Executive Management. The committee ensures the independence of independent Board members on an annual basis, in addition to assessing the performance of Board committees and the Board members' self-assessment. It has followed up over the implementation of the reward and recognition policy for the Board members, Executive Management, and employees. The Committee has prepared the job descriptions for each of the Board members, moreover it annually reviews the needs and required skills of the Board members to ensure the effectiveness and efficiency of the current Board formation in managing and improving corporate performance.

b. **Report on the remunerations of the Members of the Board of Directors and Executive Management and Managers**

- **Brief of the applied compensation and remuneration policy**

  The Company has approved the BOD compensation and remuneration policy as well as the compensation and benefits policy for Executive Management and employees, such policies have been designed to motivate the achievement of corporate 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, as per the relevant laws and regulations.

- Remunerations and benefits of Members of the Board of Directors

Remunerations and benefits of Members of the Board of Directors During 2023							
Total number of BOD members	Remunerations and Benefits through the **Parent Company**			Remunerations and Benefits through the **Subsidiaries**			
	Fixed remuneration and benefits (KD)	Variable remuneration and benefits (KD)		Fixed remuneration and benefits (KD)		Variable remuneration and benefits (KD) (دينار كويتي)	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly Salaries (Total of the year	Annual remuneration	Committees' remuneration
7	NA	42,000	NA	NA	NA	NA	NA

- Remunerations and benefits granted to seven senior executives who have received the highest remunerations.

Total executive positions	Remunerations and Benefits granted to seven senior executives who have received the highest remunerations during 2023 through the **Parent Company**								
	Fixed remuneration and benefits (KD)								Variable remuneration and benefits (KD)
	Monthly Salaries (Total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children's Education Allowance	End-of-Service Compensation	Other Benefits	Annual remuneration
7*	518,750	19,105	63,379	30,000	25,925	37,750	129,183	86,168	298,200

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

Total executive positions	Remunerations and Benefits granted to seven senior executives who have received the highest remunerations during 2023 through the **Subsidiaries**								
	Fixed remuneration and benefits (KD)								Variable remuneration and benefits (KD)
	Monthly Salaries (Total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children's Education Allowance	End-of-Service Compensation	Other Benefits	Annual remuneration
7*	NA	NA	NA	NA	NA	NA	NA	NA	NA

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

c. Any substantial deviations from the remuneration policy approved by the Board of Directors

No deviations have been recorded during the year 2023.

4. Fourth Rule - Safeguarding the Integrity of Financial Reporting

a. 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 2023 submitted to the shareholders included an undertaking from the Board of Directors to ensure 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 31/12/2023, were presented in a sound and fair manner and were prepared per the generally accepted international accounting standards.

b. 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). And while taking into consideration the required expertise, qualifications, and experience that enables it to perform duties. The committee supports the BOD in ensuring the sufficiency and effectiveness of the internal controls of the Company.

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

The Audit Committee has accomplished its duties during 2023 and did not record any conflicts between the committee's recommendations and the Board's decisions.

d. 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 it has no direct or indirect interest within the Company and that it has not provided any other restricted services as per Circular No. (7) of 2023 Regarding the Combination between, External Audit services, and any other consultancy or governance-related services.

5. Fifth Rule - Apply Sound Systems of Risk Management and Internal Audit

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

b. Brief about the application of the formation requirements of the risk management committee

The Company has implemented the requirements for the association of 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.

c. Summary clarifying the control and internal audit systems.

The Company has set in place an effective system that works to preserve financial integrity by defining the list of financial authorities and powers that have been approved and delegated by the Board of Directors. At which the concept of dual control is implemented and enforced regarding examination, review, approval, and endorsement. Responsibilities and authorizations are delineated for all pertinent management tiers within the company, and the practice of dual signing for financial transactions is embraced. These rules and policies undergo periodic review.

The company conducts an annual assessment and review of its internal control systems, facilitated by the audit committee, and supplemented by the engagement of an independent reviewer who furnishes a thorough report about the corporate systems of internal control.

d. 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 during the year.

6. Sixth Rule - Promote the Code of Conduct and Ethical Standards

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

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

- Commit to achieving the best corporate interests and refrain from abusing authority.
- Apply rules of sound ethical conduct and relevant laws.
- Determine the required professional behaviors within the Company such as confidentiality of information, expressions of improvement suggestions, and acceptance of gifts and benefits.
- Establish a whistleblowing policy for reporting violations under a reporting system available to internal and external stakeholders.
- Establish disciplinary procedures for detected and evidenced undesirable behaviors in accordance with Kuwait's Labor Laws.

b. Summary of the policies and mechanisms on reducing conflicts of interest

The Board of Directors has reviewed and approved the Related Party Transactions Policy, and the Shareholders and Stakeholder Rights Policy, and the Conflict-of-Interest Policy clarifying the means to deal with conflict-of-interest cases. Such policies are periodically reviewed and updated in accordance with the relevant laws and regulations.

7. Seventh Rule - Ensure Timely and High-Quality Disclosure and Transparency

a. 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. The policy clarifies the mechanisms applicable for determining material information, whether financial or non-financial, as well as the mechanism of disclosure in the appropriate form and time. And in what allows shareholders and interested investors to know and understand the material information. The policy subject to periodic review and updates in accordance with the CMA Disclosure and Transparency requirements as well as relevant regulations.

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

A register has been developed for all Company disclosures as well as those disclosures related to members of the Board of Directors and Executive Management and persons included in the Company's insiders list. This register is updated periodically and is made accessible to shareholders of the Company.

Moreover, and in compliance with CMA resolutions, the company has established a register that includes the details of the remunerations, compensations, salaries, incentives, and any other financial benefits, whether paid directly or indirectly to the BOD, the Company's Executive Management, and managers and whether through URC or/and its subsidiaries. This register is updated periodically and is made accessible to shareholders of the Company.

c. Brief statement on the application of the formation requirements of a unit of investor affairs.

An independent unit has been established to handle investor affairs, it has been delegated adequate authority by the board of directors, and has been tasked with providing financial data, information, and necessary reports for shareholders, investors, and interested investors in a timely and accurate manner and as per the disclosure mechanisms adopted within the Company.

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

The company is committed to utilizing the electronic disclosure platforms mandated by Boursa. In addition to the corporate governance web page at the Company's website that displays all information, data, news, and disclosures. In what allows current and prospective shareholders and investors to exercise their rights and evaluate the Company's performance.

8. Eighth Rule - Respect the Rights of Shareholders

a. **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 that stipulates defining and protecting the general rights of all categories of shareholders in what ascertains upholding the principle of justice and equality. Furthermore, the Company has ensured that its articles of association include the statements that guarantees the protection of the rights of all shareholders, and in what complies with the State of Kuwait Company's Law and its executive bylaws. The Board has approved the policy that protects the rights of shareholders and stakeholders and shows the general rights without discrimination, along with how to exercise these rights, and in what does not affect the Company's interests negatively and those of the shareholders. This policy is periodically reviewed and updated in accordance with the relevant laws and instructions.

b. **Summary of the creation of a special record at the Clearing Agency as part of the requirements for ongoing monitoring of shareholders' data.**

The company and in coordination with the Kuwait Clearing Company maintains a dedicated record in which the data of all shareholders is recorded. It is constantly regularly updated upon notification of any changes over its registered data. The company has ascertained that this record is made accessible to shareholders in accordance with the Investor Relations Unit and as per the procedures set by the Kuwait Clearing Company.

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

The Company is committed when convening its ordinary and/or extraordinary general assemblies to invite all its shareholders, to inform, and to remind them about the details of the assembly in terms of time, place, and agenda. It also provides invitations and the delegation forms (should a shareholder desire to appoint another person to attend on his/her behalf). Furthermore, electronic attendance is enabled as per the policies and procedures governing online general assemblies set by the Kuwait Clearing Company. During general assemblies, the company ensures that the attendance quorum of shareholders is sufficient for association, it encourages shareholders to discuss all items of the meeting agenda and replies over their inquiries. Their acceptance/ rejections/ reservations on each item are recorded via an equitable mean of voting.

9. Ninth Rule - Recognize the Roles of Stakeholders

a. **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, in addition to enabling stakeholders to report their discrepancies and observations. Furthermore, the company has set internal control systems to monitor compliance with relevant laws and regulations.

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

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

10. Tenth Rule - Encourage and Enhance Performance

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

URC has partnered with Linked-in Learning platform and mandated all its employees a minimum number of course hours per month, while monitoring and reporting over the process by the HR. Furthermore, the following list depicts some of the courses attended by URC's BOD.

Name	Training Programs and Courses
Mr. Mazen Issam Hawwa	▪ Workshop on ESG and Sustainability. ▪ Cyber Risk and Business Continuity. ▪ The Regulatory Updates: Tackling Anti Financial Crime, anti-fraud, and Corruption. ▪ Financial Fraud and AML updates. ▪ Future of Banking, challenges, and trends. ▪ Cyber Security, Risk and Data Privacy Briefing for Board members.
Mr. AbdulAmir Al-Muscati	▪ Workshop on ESG and Sustainability. ▪ ISO 22301:2019 Business Continuity Management System Awareness Training. ▪ Strategy Program.
Mr. Mahmood Ali Tifouni	▪ Workshop on ESG and Sustainability.
Mrs. Sanaa Abdullah Al Hadlaq	▪ Workshop on ESG and Sustainability. ▪ Protecting Kuwaiti Investments in Arab Countries against Political Risks.

b. **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 developed and adopted through self-assessment by each Board member, it included KPIs set according to the best practices used to analyze the performance of the Board as a whole, as well as each individual member.

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

c. **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 goals. The Board has also set policies and procedures that contribute to achieving those goals and improving performance. In what will enhance and develop institutional values like increasing stakeholder confidence, encouraging self-monitoring and management risks, and promoting the concept of governance and a culture of commitment.

11. Eleventh Rule - Focusing on the Importance of Corporate Social Responsibility (CSR)

a. 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.

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

- Subject: Supporting the Housing Sector

a. For the third time, URC has acted as the Platinum Sponsor of Consulting Services for the Development Plan Forum (ENCON3), held under the Patronage of His Excellency the Minister of Municipal Affairs Mr. Abzulaziz Al-Mujel, and in coordination with the Kuwaiti Federation of Engineering Offices and Consultant Houses (KFEOCH).

The theme was: "Completion of Permits Portal and Addressing Challenges of Construction & Housing Plans." The forum took place over three days, from January 10th to 12th, 2023.

- Subject: Supporting Students and Education:

a. URC has signed a memorandum of understanding (MOU) with the American University of Kuwait (AUK) to develop a cooperative working relationship in the fields of:

- Designing and developing educational and training programs for AUK students,
- Providing opportunities for faculty members to explore several projects in the field of applied research.
- Initiatives enabling students and fresh graduates to identify challenges and find solutions in various fields of engineering and real estate development.

b. URC has organized a site visit for Kuwait University students' faculty of architecture to Kuwait's first-ever comprehensive mixed-use property, Hessah District. Visitors were given an insightful presentation covering an array of project-related topics such as:

- Its concept
- Masterplan.
- Components.
- Site considerations and their impact on construction.
- Building materials.
- Types and selections of Finishes.
- Aspects of Sustainability.

c. URC attended the Middle School Team Fair at Dasman Bilingual School where a group of grade 6 students showcased the Marina World project from a more inspiring eco-friendly perspective. The eco-friendly mall experience is driven by a shared goal of sustainability, contributing to a healthy lifestyle for future generations.

d. URC participated in a job networking event exclusive to TAMAKAN trainees in collaboration with NBK and Creative Confidence. The participation showcased URC's employment values and encouraged high-caliber Kuwaiti graduates to explore potential job opportunities.

e. URC participated in the career fair organized by Kuwait University - Faculty of Engineering. Whereby, URC's HR and Marketing teams have collaborated to showcase prospective employment opportunities within URC.

f. URC welcomed a group of United American School (AUS) photography class students at KIPCO Tower. The field trip allowed students to explore, and photoshoot building designs, and floors, in addition to visiting the corporate offices.

g. URC participated as a Platinum Sponsor in the American University of Kuwait's Growth Fair 2023, in what showcased URC's commitment to Human Capital development, and the creation of future leaders. URC continually seeks to attract, develop, and retain talented fresh graduates by creating a learning environment and a clear career track starting from the beginning of a fresh graduate's career.

h. Throughout 2023 URC has accepted interns in its Sales and Marketing department, they were entrusted with responsibilities, including market research, social media content creation, and assisting in campaign planning. To which they've showcased dedication and enthusiasm.

i. Eng Sherry Oommen, from URC's Development department, has given an inspiring seminar at the Australian University (AU) about fostering an 'Excellence Mindset in Construction Project Execution.' Eng. Sherry shared his invaluable insights and experiences to empower the next generation of developers. The seminar emphasized the importance of excellence not just during construction but throughout all project stages.

j. KIPCO and its subsidiaries enjoy a long-standing partnership spanning more than 8 years with INJAAZ. At which URC was represented by its HR team in conducting a mock interview event for students at the Kuwait Science and Technology College. The purpose of these mock interviews was to simulate the real-world experience for students in what better prepares them to launch their careers. Students were exercised over how to refine their interviewing skills and understand what employers look for.

- Subject: Health & Wellness:

a. URC has participated as a silver sponsor of the 2nd Kuwait Gastroenterology Association Conference organized by the Kuwait Medical Association, and held at The Regency Kuwait, from 10 - 11 February 2023. The Conference is one of the largest regional medical conferences, it was a comprehensive two-day event that showcased the most up-to-date scientific discoveries & practices in the field of Gastroenterology. URC's sponsorship goes in line with its vision aimed at working to ensure access to quality health care, helping to improve public awareness and health, and promoting sustainable practices among the community.

b. URC has organized a fitness challenge for its employees in what allowed them to prioritize their well-being and have some fun along the way.

c. URC has joined the partnership with Kuwait Hospital aiming to raise awareness among its employees about breast cancer and underscore the importance of general healthcare checkups. Accordingly, an educational session was conducted by Consultant Expert Dr. Zahraa Ismail, a Senior Surgeon, and Dr. Dalal Al Arada, Surgeon and Head of the Breast Cancer Unit. Such partnership aligns with the broader corporate efforts to improve the well-being of women.

- Subject: Women Empowerment Advocacy:

a. URC announced its strategic sponsorship of the Young Women Leadership Initiative 2023-2024 by AlNowair, led by Al Nowair's Chairperson, Sheikha Intisar AlSabah, and supported by our Chairperson, Sheikha Bibi AlSabah. The signing ceremony for this collaboration was held on October 9, 2023, at the Chairman's Club in KIPCO Tower. The event was attended by all members of the Board of experts, along with the esteemed presence of both Sheikha Bibi and Sheikha Intisar.

b. The Initiative aims to help young women develop their personal and leadership skills by adopting purposeful methods, which enhance their self-confidence and self-awareness and increase their ability to make correct analytical-based decisions.

c. For the third year in a row, URC has maintained its strategic sponsorship of the Women's Futsal League 2022-2023. Such sponsorship is part of the company's comprehensive social responsibility program, aimed at supporting the sports sector and facilitating the way for the younger generation to excel in various sports, and ultimately women empowerment.

d. URC attended the International Women's Day 2023 event held on 7th March 2023 at the UN House as a Women's Empowerment Principles (WEPs) signatory. The event was attended by URC's CHRO and HR Director, it included keynote addresses and a Panel discussion regarding the role of the Private Sector in expanding women's employment and leadership in Kuwait in line with the New Kuwait Vision 2035. The event highlighted the achievements and initiatives undertaken by the private sector as well as UNDP and UN Women in promoting the economic empowerment of women in their workplaces and communities.

e. As part of URC's partnership and ongoing commitment with AlNowair, representatives from URC's marketing department attended the "Young Women Leadership Initiative" through purposeful theatre at the Universal American School. Witnessing the heartfelt and compelling inspirational performance.

- Subject: Employees Development:

a. The Marketing team at URC has attended the 3-day workshop titled '7 Habits for Highly Effective People' at the Chairman's Club in the KIPCO Tower, organized by KIPCO in partnership with LOYAC. The program provided an excellent training experience for teams across KIPCO Group companies, fostering both professional development and team building.

b. ILO Kuwait conducted a one-day workshop at the UN House titled "Corporate Social Responsibility and Forced Labour & Trafficking in Persons: Defining & Addressing Risks in Business Operations". The workshop was attended by HR function managers from URC, UBC, and UFM to understand how to address potential risks to business operations and supply chains, as well as the practical tools and principles available to help strengthen the company's ability to combat forced labor and human trafficking.

c. An internal training session titled 'Overview of Real Estate Development' was conducted by URC's in-house subject matter expert Mr. Sherry Oommen from the Development Department. The program provided attendees the opportunity to expand their knowledge of Real Estate Development stages, it gave them a bird's eye view of how Real Estate Development progresses from an idea into a tangible asset.

d. An internal training session titled 'Environmental, Social, and Governance (ESG)' was conducted by our in-house subject matter expert Mrs. Monika Yaacoub, Head of Internal Audit on 15th June 2023. The program provided participants with an overview of ESG concepts and their applicability in each department.

e. An internal training session titled 'Ideas going live through MS Visio' was conducted by our in-house subject matter expert Mr. Shadi Mekdashi, Head of Risk and Compliance. It was a hands-on training session aimed at providing participants with an overview of MS Visio and its applications at work as well as how to better communicate ideas easier, and faster through illustrative diagrams.

f. An internal training session titled 'Microsoft Word Essentials and Beyond' was conducted on 27th September by Mr. Shadi Mekdashi, Head of Risk and Compliance. This training was aimed at helping attendees make the most out of MS Word in their day-to-day tasks, by improving productivity using useful features, shortcuts, and automation.

g. A training program on "Data Visualization Using Power BI" was conducted by the Australian University for URC employees. The objective was to facilitate advanced data analysis skills using the Microsoft Power Platform.

h. An ESG Awareness workshop was conducted for URC's Board of Directors by RSM Kuwait Consulting. The session shed light on the topic of ESG, its fundamental components, its impact on the organization, and its contribution to society. It described the evolution of ESG, global standards, local regulations, and the latest developments including the new IFRS, ISSB standards, and applicability to the real estate sector.

- Subject: Youth & Sports:

  a. URC sponsored the KIB The Stadium event organized by Suffix at Marina Beach. The event aimed at taking the Padel experience to the next level where participants came from different countries to participate in the tournaments.

  b. URC sponsored at Marina World Beach the largest sports festival in Kuwait, “Flare Festival”, which was held from November 9 to 11, 2023. The festival witnessed tremendous success, with over 7,500 attendees and nearly 3,000 participants from all over Kuwait. It also featured diverse challenges, such as the dynamic obstacle course, strength challenges, a children's race, and various entertaining activities. URC's sponsorship and support of such events stems from its commitment to promoting sports within the Kuwaiti community and nurturing a youthful spirit.

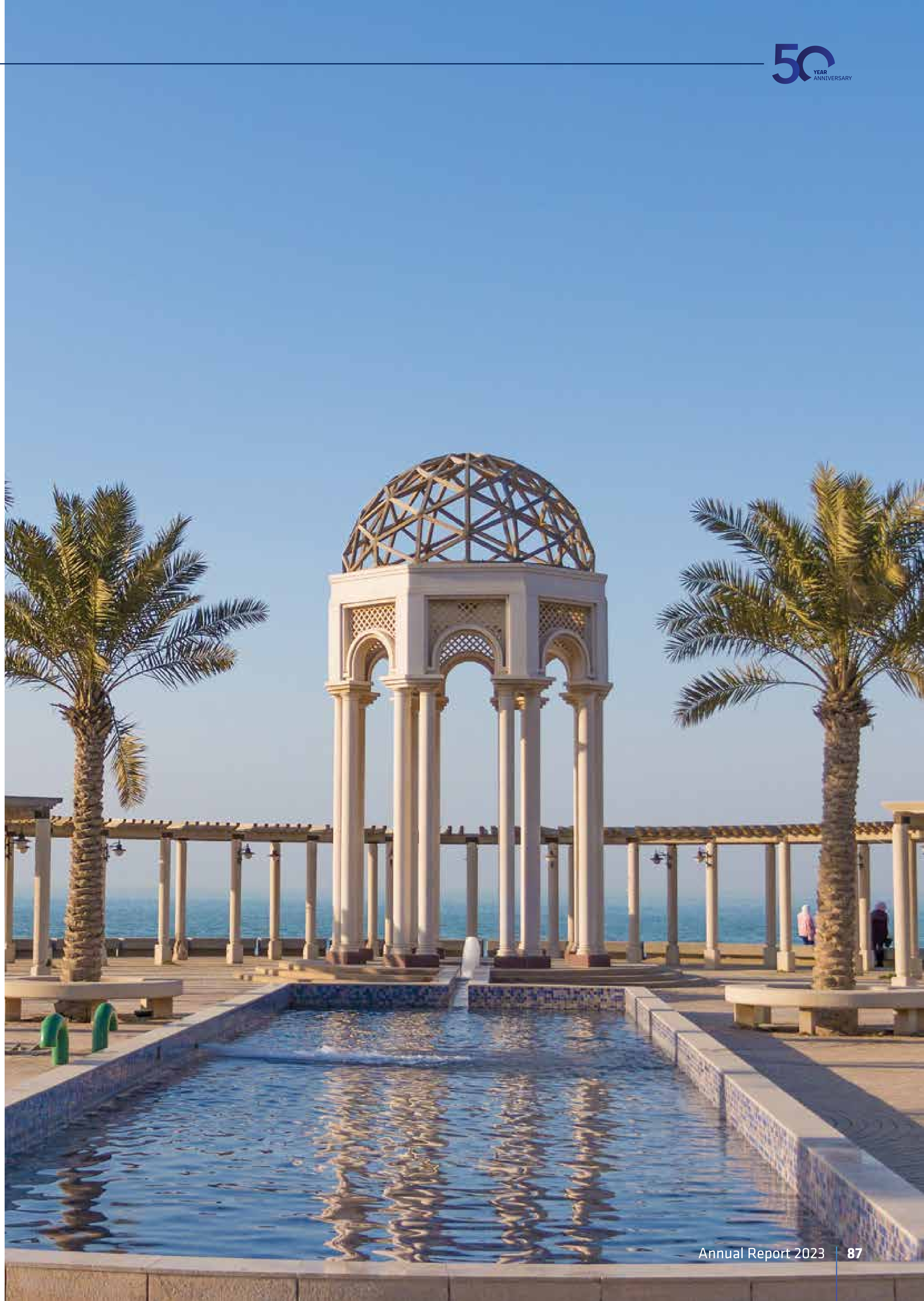
  c. URC participated in the 10th Youth Empowerment Symposium (Tamkeen), alongside KIPCO (the Strategic Sponsor of the event since 2015). KIPCO’s partnership extends to the KIPCO Tamkeen Award for Young Entrepreneurs. Such partnerships have supported many startups in their transformation into sustainable businesses. Tamkeen Symposium provides a platform for young people to be inspired by the stories of local and international business leaders.

- Subject: Community Events:

  a. Car enthusiasts were thrilled by Kuwait’s biggest gathering of car clubs called “URC Runs the City”. The event took place on the 17th and 18th of March 2023 at the KIPCO Tower Carpark in Kuwait City. The car show was sponsored by URC in collaboration with Street 965. It featured a wide range of the finest classic, vintage, and sports cars. The event accommodated more than 200 cars and 18 car clubs. It also witnessed the participation of several small and medium enterprises (SMEs).

  b. URC organized a “National Holiday’s Gathering”, in collaboration with KIPCO, KAMCO Invest, and GIG, for the employees of all four companies. Attendees were catered to a range of delicious food options in an entertaining atmosphere at KIPCO Tower. They were also captivated by the vocals from an authentic Kuwaiti choir, listening to the mesmerizing tunes as an Oud player roamed the arena. The gathering was an opportunity to celebrate the national days, and to connect and interact between employees.

Bibi Nasser Sabah Al-Ahmad Al-Sabah
Chairperson



CONSOLIDATED **FINANCIAL STATEMENTS**

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

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

Date: 09 May 2024

Messrs. Esteemed Shareholders

Subject: Confirmation of soundness and accurateness of financial reports for the financial year ended on the 31st of December 2023

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

We, members of the Board of Directors confirm that as per our periodic review of the interim financial statements results, the Company's financial reports for the financial year ended on the 31st of December 2023 are accurate and sound and expose all the Company's financial aspects including information and results related to the Company's activities, furthermore, the financial reports have been prepared in accordance with international financial reporting standards.

Yours sincerely,

Bibi Nasser Al- Sabah
Chairperson

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

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

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

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of United Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, 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 K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

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

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

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

Our audit procedures included, amongst others:

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis.
- 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 8 of the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

EY
Building a better working world

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 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 establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

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

25 March 2024
Kuwait

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 KD	2022 KD
ASSETS			
Non-current assets			
Property and equipment	9	**135,531,933**	131,974,351
Investment properties	8	**378,015,123**	383,828,208
Investment in associates	7	**40,239,603**	40,151,284
Loan to an associate	7, 23	**17,626,657**	15,933,124
Financial assets at fair value through other comprehensive income	6	**2,041,928**	2,386,102
Intangible assets		**1,494,749**	1,603,160
		574,949,993	575,876,229
Current assets			
Properties held for trading	5	**8,489,149**	24,359,052
Accounts receivable, prepayments and other assets	4	**46,656,049**	46,680,369
Cash, bank balances and deposits	3	**35,383,705**	20,799,397
		90,528,903	91,838,818
TOTAL ASSETS		**665,478,896**	667,715,047
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	11	**270,653,014**	267,314,088
Bonds	12	**80,000,000**	-
Accounts payable, accruals and other payables	10	**7,806,931**	8,057,639
Deferred tax liabilities	20	**31,710,829**	31,189,423
		390,170,774	306,561,150
Current liabilities			
Interest bearing loans and borrowings	11	**20,964,457**	35,457,209
Accounts payable, accruals and other payables	10	**67,711,595**	77,152,979
Bonds	12	**-**	60,000,000
		88,676,052	172,610,188
Total liabilities		**478,846,826**	479,171,338
EQUITY			
Share capital	13	**143,054,551**	143,054,551
Share premium	13	**15,550,698**	15,550,698
Statutory reserve	14	**21,302,209**	20,877,509
Voluntary reserve	15	**2,582,767**	2,582,767
Treasury shares	16	**(15,503,985)**	(15,503,985)
Treasury shares reserve		**491,325**	491,325
Other reserve		**(16,410,588)**	(16,410,588)
Revaluation surplus		**35,598,827**	36,233,318
Cumulative changes in fair values		**(3,419,809)**	(3,257,401)
Foreign currency translation reserve		**(16,675,776)**	(17,308,405)
Retained earnings		**17,469,418**	21,878,726
Equity attributable to equity holders of the Parent Company		**184,039,637**	188,188,515
Non-controlling interests		**2,592,433**	355,194
Total equity		**186,632,070**	188,543,709
TOTAL LIABILITIES AND EQUITY		**665,478,896**	667,715,047

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 K.S.C.P. and Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	***2023 KD***	*2022 KD*
REVENUE			
Gross rental income		**30,305,079**	20,880,080
Hospitality income		**14,579,127**	12,199,180
Contracting and services revenue		**37,521,398**	47,030,695
Sale of properties held for trading		**514,579**	380,989
Other operating revenue		**4,365,976**	4,132,523
		87,286,159	84,623,467
COST OF REVENUE			
Properties operating costs		**(5,703,140)**	(5,534,759)
Rental expense on leasehold properties		**(2,069,044)**	(2,039,756)
Hospitality costs		**(9,799,290)**	(8,554,734)
Depreciation of hospitality assets	9	**(2,892,629)**	(3,069,151)
Contracting and services costs		**(39,423,491)**	(42,186,297)
Cost of properties held for trading sold	5	**(244,624)**	(302,689)
		(60,132,218)	(61,687,386)
GROSS PROFIT		**27,153,941**	22,936,081
Other net operating income (losses)	17	**5,588,497**	(8,153,516)
General and administrative expenses	18	**(7,616,186)**	(10,856,228)
Depreciation of property and equipment	9	**(510,967)**	(270,259)
Valuation gain (loss) on investment properties	8	**680,325**	(20,998,154)
OPERATING PROFIT (LOSS)		**25,295,610**	(17,342,076)
Other net non-operating income	19	**1,132,439**	759,134
Gain on bargain purchase	28	**-**	32,069,143
Finance costs - net		**(21,408,248)**	(13,549,036)
Share of results of associates	7	**(2,606,551)**	506,267
Gain on sale of subsidiary		**2,575,445**	-
Gain on sale of an associate		**-**	1,163,836
PROFIT BEFORE TAXATION AND DIRECTORS' REMUNERATION		**4,988,695**	3,607,268
Directors' remuneration		**(42,000)**	(42,000)
Taxation (expense) income	20	**(554,601)**	116,458
PROFIT FOR THE YEAR		**4,392,094**	3,681,726
Attributable to:			
Equity holders of the Parent Company		**4,193,212**	3,388,039
Non-controlling interests		**198,882**	293,687
		4,392,094	3,681,726
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	21	**3.22 fils**	3.14 fils

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 KD	*2022 KD*
Profit for the year	**4,392,094**	3,681,726
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	**(6,468,190)**	(9,436,345)
Net other comprehensive loss that are or may be reclassified to consolidated income statement in subsequent periods	**(6,468,190)**	(9,436,345)
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	**(21,958)**	(1,237,597)
Revaluation gain (loss) of property and equipment (Note 9)	**146,253**	(839,752)
Deferred tax on revaluation gain (loss) of property and equipment (Note 20)	**40,162**	(14,397)
Net other comprehensive gain (loss) that will not be reclassified to consolidated income statement in subsequent periods	**164,457**	(2,091,746)
Other comprehensive loss	**(6,303,733)**	(11,528,091)
Total comprehensive loss for the year	**(1,911,639)**	(7,846,365)
Attributable to:		
Equity holders of the Parent Company	**(4,148,878)**	(6,957,692)
Non-controlling interests	**2,237,239**	(888,673)
	(1,911,639)	(7,846,365)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	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 2023	143,054,551	15,550,698	20,877,509	2,582,767	(15,503,985)	491,325	(16,410,588)	36,233,318	(3,257,401)	(17,308,405)	21,878,726	188,188,515	355,194	188,543,709
Profit for the year	-	-	-	-	-	-	-	-	-	-	4,193,212	4,193,212	198,882	4,392,094
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(99,864)	(21,958)	632,629	(8,852,897)	(8,342,090)	2,038,357	(6,303,733)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(99,864)	(21,958)	632,629	(4,659,685)	(4,148,878)	2,237,239	(1,911,639)
Transfer to statutory reserve	-	-	424,700	-	-	-	-	-	-	-	(424,700)	-	-	-
Transfer of fair value reserve on derecognition of equity investments at FVOCI to retained earnings	-	-	-	-	-	-	-	-	(140,450)	-	140,450	-	-	-
Transfer of depreciation related to property and equipment carried at revaluation	-	-	-	-	-	-	-	(534,627)	-	-	534,627	-	-	-
At 31 December 2023	**143,054,551**	**15,550,698**	**21,302,209**	**2,582,767**	**(15,503,985)**	**491,325**	**(16,410,588)**	**35,598,827**	**(3,419,809)**	**(16,675,776)**	**17,469,418**	**184,039,637**	**2,592,433**	**186,632,070**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2023

	Equity attributable to equity holders of the Parent Company													
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary Reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Other reserve KD*	*Revaluation surplus KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2022	118,797,442	15,550,698	20,511,526	2,582,767	(14,478,743)	491,325	(16,135,680)	37,635,189	(2,019,804)	(9,054,420)	15,834,993	169,715,293	14,987,097	184,702,390
Profit for the year	-	-	-	-	-	-	-	-	-	-	3,388,039	3,388,039	293,687	3,681,726
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(854,149)	(1,237,597)	(8,253,985)	-	(10,345,731)	(1,182,360)	(11,528,091)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(854,149)	(1,237,597)	(8,253,985)	3,388,039	(6,957,692)	(888,673)	(7,846,365)
Purchase of treasury shares	-	-	-	-	(1,025,242)	-	-	-	-	-	-	(1,025,242)	-	(1,025,242)
Transfer to statutory reserve	-	-	365,983	-	-	-	-	-	-	-	(365,983)	-	-	-
Business acquisition through share swap (Note 28)	18,424,530	-	-	-	-	-	(53,342)	-	-	-	(5,658,262)	12,712,926	-	12,712,926
Issuance of shares against swap with non-controlling interest (Note 29)	5,832,579	-	-	-	-	-	(221,566)	-	-	-	8,132,217	13,743,230	(13,743,230)	-
Transfer of depreciation related to property and equipment carried at revaluation	-	-	-	-	-	-	-	(547,722)	-	-	547,722	-	-	-
At 31 December 2022	143,054,551	15,550,698	20,877,509	2,582,767	(15,503,985)	491,325	(16,410,588)	36,233,318	(3,257,401)	(17,308,405)	21,878,726	188,188,515	355,194	188,543,709

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	*2023* *KD*	*2022* *KD*
OPERATING ACTIVITIES			
Profit before taxation and directors' remuneration		**4,988,695**	3,607,268
Adjustments for:			
Impairment of trading properties	5	**-**	143,220
Valuation (gain) loss on investment properties	8	**(680,325)**	20,998,154
Gain on sale of an associate		**-**	(1,163,836)
Share of results of associates	7	**2,606,551**	(506,267)
Impairment of property and equipment	9	**7,027**	1,461,219
Depreciation of property and equipment	9	**3,956,383**	4,054,609
Amortisation of intangible assets		**112,337**	111,571
Net gain disposal of non-financial assets		**(29,028)**	(147,226)
Provision for maintenance on leasehold properties	17	**552,010**	264,000
(Reversal) / Provision for expected credit losses	17	**(7,638,890)**	5,358,755
Provision for expected credit losses on loan to associate	17	**1,443,628**	1,000,000
Dividend income	17	**(35,580)**	(38,023)
Interest income		**(1,045,635)**	(303,845)
Finance costs		**22,453,883**	13,852,881
Gain on bargain purchase	28	**-**	(32,069,143)
Gain on sale of a subsidiary	2.5	**(2,575,445)**	-
Provision for end of service benefit		**1,331,214**	1,142,713
		25,446,825	17,766,050
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other assets		**7,663,210**	2,340,861
Properties held for trading		**(4,525,233)**	62,708
Accounts payable, accruals and other payables		**(7,826,691)**	4,802,094
		20,758,111	24,971,713
KFAS paid		**(32,530)**	-
NLST paid		**(108,656)**	-
End of service benefit paid		**(1,139,853)**	(745,023)
Net cash from operating activities		**19,477,072**	24,226,690
INVESTING ACTIVITIES			
Additions and capital contribution in investment in associates	7	**(3,891,500)**	(2,700,708)
Proceeds from sale of an associate		**-**	3,077,349
Additions to loan to an associate		**(1,503,244)**	(2,051,490)
Additions to investment properties	8	**(211,567)**	(687,906)
Proceed from disposal of investment properties		**510,731**	758,882
Proceeds from sale of financial assets at fair value through other comprehensive income		**322,833**	-
Proceed from disposal of a subsidiary		**19,092,817**	-
Purchase of property and equipment	9	**(4,251,216)**	(6,163,246)
Proceeds from disposal of property and equipment		**39,158**	758,179
Net cash from acquisition of subsidiary	28	**-**	485,386
Dividends income received		**479,520**	38,023
Interest income received		**456,117**	-
Additions to deposits		**(6,082,381)**	(2,609,614)
Net cash from (used in) investing activities		**4,961,268**	(9,095,145)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	*2023* *KD*	*2022* *KD*
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans and borrowings		**58,218,982**	14,121,820
Repayment of interest-bearing loans and borrowings		**(68,574,705)**	(14,340,085)
Proceeds from issuance of bonds		**47,550,000**	-
Repayment of bonds		**(27,550,000)**	-
Payment of principal portion of lease liabilities		**(1,818,220)**	(1,350,815)
Finance costs paid		**(23,160,142)**	(12,666,287)
Net cash used in financing activities		**(15,334,085)**	(14,235,367)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9,104,255**	896,178
Foreign currency translation adjustments		**(720,460)**	3,094,285
Cash and cash equivalents at the beginning of the year		**18,188,394**	14,197,931
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**26,572,189**	18,188,394

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

1 CORPORATE INFORMATION

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

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

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Board of Directors of the Parent Company on 25 March 2024 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 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 K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard and amendment is described below:

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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

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

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million per year (equivalent to KD 257 million).

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, 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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments*: *Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The principal subsidiaries of the Group are as follows:

Name of company	*Equity interest as at 31 December*		*Country of incorporation*	*Principal business*
	2023	*2022*		
Directly held				
United Building Company K.S.C. (Closed)	**100%**	100%	Kuwait	Contracting activities
Souk Al-Muttaheda Joint Venture – Salhia	**92.17%**	92.17%	Kuwait	Real estate development
Tamleek United Real Estate Company W.L.L.	**100%**	100%	Kuwait	Real estate development
United International Project Management Company W.L.L.	**100%**	100%	Kuwait	Facilities management
United Facilities Management Company K.S.C. (Closed)	**99.2%**	99.2%	Kuwait	Facilities management
United Facility Development Company K.S.C. (Closed)	**63.5%**	63.5%	Kuwait	Real estate development
Universal United Real Estate Consultancy Company W.L.L.	**63%**	**63%**	Kuwait	Real estate development
Mina United Real Estate Services W.L.L	**100%**	**100%**	Kuwait	Real estate development
Twenty Two Project Management Co. WLL	**99%**	**99%**	Kuwait	Real estate development
United Building Company Egypt, S.A.E.	**100%**	100%	Egypt	Contracting activities
United Real Estate Holding for Financial Investments S.A.E.	**100%**	100%	Egypt	Holding
Gulf Egypt Hotels and Tourism S.A.E.	**100%**	**100%**	Egypt	Hotel Management
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
Arwa Rea Estate Development Company P.S.C	**100%**	**100%**	Jordan	Real estate development
United Al Manazel Real Estate Development Company P.S.C	**100%**	**100%**	Jordan	Real estate development
United Real Estate Company W.L.L.	**80%**	80%	Syria	Real estate development
United Company for Investment W.L.L.	**95%**	95%	Syria	Real estate development
Al Reef Real Estate Company S.A.O.(Closed)	**100%**	**100%**	Oman	Real estate development
United Kuwaiti Real Estate Development Co. LLC	**100%**	**100%**	Oman	Real estate development
Al Dhiyafa – Lebanon SAL (Holding Company)	**100%**	**100%**	Lebanon	Holding
United Lebanese Real Estate Company S.A.L. (Holding Company)	**100%**	**100%**	Lebanon	Holding
Dhow Holdings Limited	**100%**	**100%**	Isle of Man	Holding
Greenwich Quay Limited	**100%**	**100%**	Isle of Man	Real estate development
Held through Tamleek United Real Estate Company W.L.L				
Medius Real Estate Development L.L.C *	**-**	**100%**	Egypt	Real estate development
Manazel United for Real Estate Investment Company S.A.E.	**54.5%**	**54.5%**	Egypt	Real estate development
Held through United Building Company K.S.C (Closed)				
Twenty Two Project Management Co. WLL	**1%**	1%	Kuwait	Real estate development
Held through Al Reef Real Estate Company S.A.O. (Closed)				
United Facilities Management L.L.C.	**100%**	100%	Oman	Facilities management
Held through United Real Estate Holding for Financial Investments S.A.E.				
United Ritaj for Touristic investment S.A.E. (Closed)	**100%**	100%	Egypt	Touristic development
Manazel United for Real Estate Investment Company S.A.E.	**36.99%**	36.99%	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 SAL				
Bhamdoun United Real Estate Company SAL	**75%**	75%	Lebanon	Hotel management
Raouche Holding SAL	**55%**	55%	Lebanon	Holding
United Lebanese Real Estate Company SAL (owned by Raouche Holding SAL)	**100%**	100%	Lebanon	Real estate development
Held through United Lebanese Real Estate Company S.A.L. (Holding)				
Bhamdoun United Real Estate Company SAL	**25%**	25%	Lebanon	Hotel management
Raouche Holding SAL	**45%**	45%	Lebanon	Holding
Held through United Real Estate Jordan P.S.C.				
Abdali Mall Company P.S.C.	**100%**	100%	Jordan	Real estate development
Panorama for Beauty Company	**80%**	80%	Jordan	Beauty services
Held through United Facilities Management Company S.A.K.				
United Arab Facility Management L.L.C.	**100%**	100%	Jordan	Facilities management
UFM Facilities Management Services L.L.C.	**100%**	100%	UAE	Services Facilities

* During the year, the Group sold its subsidiary, Medius Real Estate Development L.L.C ("Medius") to an external third party for a net consideration of KD 19,092,817, resulting in a net gain on disposal totalling KD 2,575,445. The net assets of Medius sold mainly comprised of trading properties.

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

Financial instruments

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

Date of recognition

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

Initial measurement of financial instruments

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial and non-financial assets (continued)

Financial assets (continued)

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

a. Determination of ECL on accounts receivable and bank balances

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

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

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

b. Determination of ECL on loan to an associate and amounts due from related parties

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

i) Determining the stage of expected credit losses

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. An analysis of fair values of financial instruments and non-financial assets and further details as to how they are measured are provided in Note 8 and Note 27.

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

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

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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.

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
Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, and transfer to statutory reserve, until the reserve reaches 50% of share capital, should be excluded from profit for the year when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

2.6 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 K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

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

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

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

Estimates and assumptions

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

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

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

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

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

The significant methods and assumptions used by valuers in estimating fair value of investment property, freehold land and buildings are stated in Note 8 and Note 9.

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

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

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

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

3 CASH, BANK BALANCES AND SHORT TERM DEPOSITS

	2023	*2022*
	KD	*KD*
Cash at banks	**26,325,140**	10,952,308
Total deposits	**9,058,565**	9,847,089
Cash, bank balances and deposits	**35,383,705**	20,799,397
less: Deposits with original maturities exceeding three months	**(8,691,995)**	(2,609,614)
	26,691,710	18,189,783
Less: Bank overdraft (Note 11)	**(119,521)**	(1,389)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**26,572,189**	**18,188,394**

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

Cash and deposits amounting to KD 11,892,629 (2022: KD 11,463,254) are placed with related parties (Note 23).

4 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

	2023 *KD*	*2022* *KD*
Accounts receivables	**46,701,550**	55,192,921
Accrued rental and hospitality income	**819,516**	929,887
Due from related parties (Note 23)	**2,289,459**	1,644,181
Prepayments	**1,544,103**	450,422
Other assets	**2,095,452**	2,153,779
	53,450,080	60,371,190
Allowance for expected credit losses	**(6,794,031)**	(13,690,821)
	46,656,049	46,680,369

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

	2023 *KD*	*2022* *KD*
As at 1 January	**13,690,821**	9,203,604
Net expected credit losses for the year (Note 17)	**(7,638,890)**	5,358,755
Written off	**-**	(816,957)
Foreign currency exchange difference	**742,100**	(54,581)
As at 31 December	**6,794,031**	13,690,821

5 PROPERTIES HELD FOR TRADING

	2023 *KD*	*2022* *KD*
As at 1 January	**24,359,052**	55,494,092
Additions during the year	**217,120**	239,981
Transfer to investment property (Note 8)	**(884,810)**	(22,843,149)
Impairment of properties held for trading	**-**	(143,220)
Disposals	**(244,624)**	(302,689)
Related to sale of a subsidiary	**(11,964,635)**	-
Foreign exchange difference	**(2,992,954)**	(8,085,963)
As at 31 December	**8,489,149**	24,359,052

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 *KD*	*2022* *KD*
Quoted equity shares	**175,057**	529,832
Unquoted equity shares	**1,866,871**	1,856,270
Financial assets at fair value through other comprehensive income	**2,041,928**	2,386,102

Investments with aggregate carrying amounts of KD 22,164 (2022: KD 21,557) represent investments in related parties (Note 23) and investments with aggregate carrying amounts of KD 904,806 (2022: KD 1,245,459) are managed by a related party (Note 23).

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

7 INVESTMENT IN ASSOCIATES

Name of company	*Country of Incorporation*	*Equity interest*		*Carrying value*	
		2023	*2022*	*2023* *KD*	*2022* *KD*
Mena Homes Real Estate Company K.S.C. (Closed) (a)	Kuwait	**43.17%**	40.42%	**20,234,029**	19,145,240
Assoufid BV (a)	Netherlands	**49.00%**	49.00%	**6,175,996**	7,117,183
Al-Fujeira Real Estate Limited	United Arab Emirates	**50.00%**	50.00%	**6,595,096**	6,642,703
Insha'a Holding Company K.S.C. (Closed)	Kuwait	**40.00%**	40.00%	**6,635,265**	6,480,621
Ikarus United for Marine Services Company K.S.C. (Closed) (a)	Kuwait	**20.00%**	20.00%	**592,910**	759,246
Al Thaniya Real Estate Company P.S.C.	Jordan	**50.00%**	50.00%	**6,307**	6,291
				40,239,603	40,151,284

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

	2023 *KD*	*2022* *KD*
As at 1 January	**40,151,284**	58,649,178
Additions and capital contributions during the year (a)	**3,891,500**	14,141,313
Disposals during the year	**-**	(32,380,525)
Dividends	**(443,940)**	(80,000)
Share of results	**(2,606,551)**	506,267
Foreign exchange differences	**(752,690)**	(684,949)
At 31 December	**40,239,603**	40,151,284

a) During the current year, Mena Homes Real Estate Company K.S.C. (Closed) ("Mena Homes") an associate, increased its capital by KD 5,000,000 (2022: KD 7,000,000), which the Group contributed an amount of KD 3,891,500 (2022: KD 5,448,100).

During 2022, Assoufid B.V. ("Assoufid") an associate, increased its capital through partial capitalization of the loan provided to Assoufid, to which the Group's share was KD 8,493,213.

During 2022, Ikarus United Marine Services K.S.C. (Closed) ("Ikarus") an associate, increased its capital through additional capital contribution to which the Group contributed an amount of KD 200,000.

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

7 INVESTMENT IN ASSOCIATES (continued)

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

	Mena Homes		*Others*		*Total*	
	2023 KD	*2022 KD*	***2023 KD***	*2022 KD*	***2023 KD***	*2022 KD*
Summarised statement of financial position :						
Non-current assets	**107,909,294**	124,584,702	**38,731,049**	35,223,234	**146,640,343**	159,807,936
Current assets	**105,606,438**	83,979,708	**41,766,592**	40,537,472	**147,373,030**	124,517,180
Non-current liabilities	**(72,367,507)**	(85,455,218)	**(28,334,775)**	(24,633,784)	**(100,702,282)**	(110,089,002)
Current liabilities	**(96,325,095)**	(77,372,143)	**(9,818,490)**	(10,867,853)	**(106,143,585)**	(88,239,996)
Equity	**44,823,130**	45,737,049	**42,344,376**	40,259,069	**87,167,506**	85,996,118
Proportion of the Group's ownership	**43.17%**	40.42%				
Group's share in the net assets *	**20,234,029**	19,145,240	**20,005,574**	21,006,044	**40,239,603**	40,151,284
Summarised statement of income:						
Revenues	**1,309,611**	489,874	**14,941,494**	22,560,232	**16,251,105**	23,050,106
(Loss) Profit for the year	**(5,913,918)**	(3,603,748)	**(1,761,745)**	1,954,746	**(7,675,663)**	(1,649,002)
Group's share in (loss) profit for the year	**(1,963,066)**	(776,570)	**(643,485)**	1,282,837	**(2,606,551)**	506,267

*Difference between carrying value and proportion of equity attributable to Group's ownership interest materially represents goodwill.

8 INVESTMENT PROPERTIES

	2023 KD	*2022 KD*
Lands for development (a)	**57,442,972**	60,234,474
Investment properties under construction (b)	**13,976,290**	11,846,179
Developed properties (c)	**306,595,861**	311,747,555
	378,015,123	383,828,208

Valuation of lands for development, investment properties under construction and developed properties were conducted as at 31 December 2023 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) Lands for development

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

	2023 KD	*2022 KD*
As at 1 January	**60,234,474**	69,642,755
Additions	**35,266**	476,732
Disposals	**-**	(532,350)
Transfer from properties held for trading	**884,810**	-
Valuation gain (loss)	**1,468,784**	(2,579,152)
Foreign exchange differences	**(5,180,362)**	(6,773,511)
As at 31 December	**57,442,972**	60,234,474

Lands for development include a plot of land in Sharm El Sheikh, Egypt amounting to KD 13,815,268 (2022: KD 16,199,961) 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

	2023 KD	*2022 KD*
As at 1 January	**11,846,179**	12,016,473
Capital expenditure	**3,423**	8,232
Valuation gain	**2,230,243**	15,745
Foreign exchange differences	**(103,555)**	(194,271)
As at 31 December	**13,976,290**	11,846,179

c) Developed properties

	2023 KD	*2022 KD*
Developed lands and buildings:		
Developed lands and buildings	**246,540,381**	246,929,276
Buildings constructed on land leased from the Government	**60,055,480**	64,818,279
	306,595,861	311,747,555

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

8 INVESTMENT PROPERTIES (continued)

The movement during the year was as follows:

	2023 *KD*	*2022* *KD*
As at 1 January	**311,747,555**	179,054,129
Additions	**172,878**	202,942
Addition upon business combination (Note 28)	**-**	126,423,000
Transfer to Property and Equipment (Note 9)	**(2,192,857)**	-
Transfer from held for trading (Note 5)	**-**	22,843,149
Disposal of investment properties	**(504,914)**	(228,397)
Valuation loss	**(3,018,702)**	(18,434,747)
Foreign exchange differences	**391,901**	1,887,479
As at 31 December	**306,595,861**	311,747,555

Fair value hierarchy
The following tables provide the fair value measurement hierarchy of the Group's investment properties:

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
31 December 2023	*KD*	*KD*	*KD*	*KD*
Investment properties	**378,015,123**	**-**	**241,283,552**	**136,731,571**
31 December 2022				
Investment properties	383,828,208	-	242,097,208	141,731,000

There were no transfers between any levels of the fair value hierarchy during 2023 or 2022.

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values:

	2023 *KD*	*2022* *KD*
Opening balance	**141,731,000**	33,478,809
Addition upon business combination (Note 28)	**-**	126,423,000
Additions and capital expenditures	**25,801**	32,444
Transfer to property and equipment	**(2,192,857)**	-
Valuation loss	**(2,832,373)**	(18,203,253)
Closing balance	**136,731,571**	141,731,000

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the yield rate (income capitalisation approach) and price per sqm (market approach).

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

8 INVESTMENT PROPERTIES (continued)

Sensitivity analysis
Significant increases (decreases) in estimated price per square metre, rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

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

	2023 *%*	*2022* *%*
Average net initial yield	**10.25**	10.50
Average reversionary yield	**11.50**	11.25
Average inflation rate	**1.50**	1.25
Long-term vacancy rate	**5.00**	15.00
Long-term growth in real rental rates	**2.25**	2.50

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

		Impact on fair value	
Significant unobservable inputs	***Sensitivity***	*2023* *KD*	*2022* *KD*
		2,097,564	1,906,875
Average net initial yield	+/- 1%	**(2,056,238)**	(1,851,125)
		2,524,680	2,295,164
Average reversionary yield	+/- 1%	**(2,436,362)**	(2,214,875)
		1,542,113	1,401,921
Average inflation rate	+/- 25 basis points	**(1,097,276)**	(997,524)
		1,638,741	1,489,765
Long-term vacancy rate	+/- 1%	**(1,528,741)**	(1,389,765)
		1,109,400	1,008,545
Long-term growth in real rental rates	+/- 1%	**(1,093,063)**	(993,694)

9 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	*Tools and equipment KD*	*Computer hardware and software KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Right of use of asset KD*	*Working under progress KD*	*Total KD*
Cost:									
As at 1 January 2023	**54,781,792**	**112,589,777**	**14,228,099**	**18,244,611**	**18,070,935**	**2,221,998**	**368,981**	**6,684,933**	**227,191,126**
Additions	**-**	**288,863**	**786,701**	**258,864**	**2,582,483**	**332,460**	**-**	**1,845**	**4,251,216**
Transfer from investment properties (Note 8)	**-**	**2,192,857**	**-**	**-**	**-**	**-**	**-**	**-**	**2,192,857**
Transfer	**-**	**6,294,688**	**-**	**-**	**-**	**-**	**-**	**(6,294,688)**	**-**
Revaluation adjustment	**-**	**146,253**	**-**	**-**	**-**	**-**	**-**	**-**	**146,253**
Disposal	**-**		**(21,636)**	**(13,577)**	**(16,078)**	**(59,639)**	**-**	**-**	**(110,930)**
Exchange adjustment	**(92,445)**	**1,083,461**	**67,536**	**(1,176)**	**37,079**	**1,590**	**80**	**1,874**	**1,097,999**
As at 31 December 2023	**54,689,347**	**122,595,899**	**15,060,700**	**18,488,722**	**20,674,419**	**2,496,409**	**369,061**	**393,964**	**234,768,521**
Depreciation:									
As at 1 January 2023	**-**	**(46,593,658)**	**(11,358,430)**	**(17,830,581)**	**(17,639,388)**	**(1,785,822)**	**(8,896)**	**-**	**(95,216,775)**
Impairment	**-**	**(7,027)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,027)**
Charge for the year	**-**	**(2,793,258)**	**(418,735)**	**(217,667)**	**(333,191)**	**(184,581)**	**(8,951)**	**-**	**(3,956,383)**
Disposal	**-**	**292**	**16,294**	**13,021**	**15,596**	**49,781**	**-**	**-**	**94,984**
Exchange adjustment	**-**	**(72,290)**	**(36,193)**	**3,503**	**(32,060)**	**(14,324)**	**(23)**	**-**	**(151,387)**
At 31 December 2023	**-**	**(49,465,941)**	**(11,797,064)**	**(18,031,724)**	**(17,989,043)**	**(1,934,946)**	**(17,870)**	**-**	**(99,236,588)**
Net carrying amount									
At 31 December 2023	**54,689,347**	**73,129,958**	**3,263,636**	**456,998**	**2,685,376**	**561,463**	**351,191**	**393,964**	**135,531,933**

9 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	*Buildings KD*	*Tools and equipment KD*	*Computer hardware and software KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Right of use of asset KD*	*Working under progress KD*	*Total KD*
Cost:									
As at 1 January 2022	55,357,900	109,783,699	14,089,705	17,712,250	16,461,945	2,314,260	-	3,948,145	219,667,904
Addition on acquisition of subsidiary (Note 28)	-	-	876,793	-	937,989	-	-	-	1,814,782
Additions	-	39,965	397,824	198,680	252,614	120,027	368,981	4,785,155	6,163,246
Revaluation adjustment	-	(839,752)	-	-	-	-	-	-	(839,752)
Disposal	-	-	(1,469,999)	(91,222)	(208,784)	(213,765)	-	-	(1,983,770)
Exchange adjustment	(576,108)	3,605,865	333,776	424,903	627,171	1,476	-	(2,048,367)	2,368,716
As at 31 December 2022	54,781,792	112,589,777	14,228,099	18,244,611	18,070,935	2,221,998	368,981	6,684,933	227,191,126
Depreciation:									
As at 1 January 2022	-	(42,151,903)	(11,121,050)	(17,650,584)	(16,388,056)	(1,551,898)	-	-	(88,863,491)
Addition on acquisition of subsidiary (Note 28)	-	-	(659,710)	-	(859,852)	-	-	-	(1,519,562)
Impairment	-	(1,461,219)	-	-	-	-	-	-	(1,461,219)
Charge for the year	-	(2,588,412)	(540,912)	(207,930)	(465,175)	(243,284)	(8,896)	-	(4,054,609)
Disposal	-	-	1,122,320	51,477	188,463	12,422	-	-	1,374,682
Exchange adjustment	-	(392,124)	(159,078)	(23,544)	(114,768)	(3,062)	-	-	(692,576)
At 31 December 2022	-	(46,593,658)	(11,358,430)	(17,830,581)	(17,639,388)	(1,785,822)	(8,896)	-	(95,216,775)
Net carrying amount									
At 31 December 2022	54,781,792	65,996,119	2,869,669	414,030	431,547	436,176	360,085	6,684,933	131,974,351

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 146,253 (2022: gain KD 839,752), related deferred tax adjustment arising on the revaluation gain of KD 40,162 (2022: loss KD 14,397).

Significant unobservable valuation input

As at 31 December 2023, range of average market price for the freehold land and buildings (per square metre) used by the valuer is KD 854 (2022: KD 948). Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

9 PROPERTY AND EQUIPMENT (continued)

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

	2023 *KD*	*2022* *KD*
Cost of revenue		
Contracting and services cost	**552,788**	715,199
Depreciation of hotels	**2,892,629**	3,069,151
Operational expenses		
Depreciation of property and equipment	**510,966**	270,259
	3,956,383	4,054,609

10 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	2023 *KD*	*2022* *KD*
Rent received in advance	**2,817,310**	450,522
Accounts payable	**42,658,387**	43,311,643
Lease liabilities	**3,778,485**	5,047,920
Indemnity	**4,875,786**	4,718,928
Refundable deposits	**5,702,169**	5,466,011
Due to related parties (Note 23)	**2,071,601**	2,027,998
Other payables	**13,602,999**	24,155,066
KFAS payable	**11,789**	32,530
	75,518,526	85,210,618

The following table shows the movement of the Group's Lease liabilities:

	2023 *KD*	*2022* *KD*
As at 1 January	**5,047,920**	3,516,709
Addition	**378,361**	2,680,200
Finance cost	**210,103**	214,068
Payments	**(1,818,220)**	(1,350,815)
Foreign exchange differences	**(39,679)**	(12,242)
	3,778,485	5,047,920

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

11 INTEREST BEARING LOANS AND BORROWINGS

	2023 *KD*	*2022* *KD*
Loans	**291,497,950**	302,769,908
Bank overdrafts	**119,521**	1,389
	291,617,471	302,771,297

	2023 *KD*	*2022* *KD*
By Parent:		
Current	**12,005,000**	22,208,227
Non-current	**120,401,258**	161,679,597
	132,406,258	183,887,824
By Subsidiaries:		
Current	**8,959,457**	13,248,982
Non-current	**150,251,756**	105,634,491
	159,211,213	118,883,473
	291,617,471	302,771,297

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

	Current portion KD	*Non-current portion KD*	***Total 2023 KD***	*Total 2022 KD*
Bank overdrafts (Note 3)	**119,521**	-	**119,521**	1,389
Short term loans	**13,888,401**	-	**13,888,401**	19,881,899
Term loans	**6,956,535**	**270,653,014**	**277,609,549**	282,888,009
	20,964,457	**270,653,014**	**291,617,471**	302,771,297

Term loans are obtained for varying periods ranging from one year to twelve years and carry interest rates ranging from 4.7% to 11% (2022: 2.95% to 18.75%).

As at 31 December 2023, the Group's short-term loans and overdrafts amounting to KD 14,007,922 (31 December 2022: KD 19,881,899) are renewable on a yearly basis.

Interest bearing loans and borrowings amounting to KD 82,341,258 (2022: KD 88,218,346) are due to related parties (Note 23).

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

	Current portion KD	*Non-current portion KD*	***Total 2023 KD***	*Total 2022 KD*
US Dollar	**1,569,449**	**6,085,779**	**7,655,228**	27,243,980
Omani Riyal	**475,494**	**13,996,916**	**14,472,410**	14,679,023
Egyptian Pound	**456,460**	**5,140,873**	**5,597,333**	4,203,742
Kuwaiti Dinar	**18,087,689**	**226,407,712**	**244,495,401**	256,644,552
Jordanian Dinar	**375,365**	**19,021,734**	**19,397,099**	-
	20,964,457	**270,653,014**	**291,617,471**	302,771,297

12 BONDS

	2023 *KD*	*2022* *KD*
On 28 March 2023, the Parent Company issued unsecured bonds with the principal amount of KD 80,000,000 comprising of bonds in two series as follows:		
• Due on 28 March 2028, carrying interest at a fixed rate of 7% per annum payable quarterly in arrears.	**54,600,000**	-
• Due on 28 March 2028, carrying interest at a variable rate of 3% over the Central Bank of Kuwait discount rate payable quarterly in arrears.	**25,400,000**	-
On 19 April 2018, the Parent Company issued unsecured bonds with 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
• 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
	80,000,000	60,000,000

13 SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2023, the Parent Company's authorised, issued, and fully paid share capital consists of 1,430,545,513 shares of 100 fils each (2022: 1,430,545,513 shares of 100 fils each) which is 1,187,974,420 fully paid in cash and in kind 242,571,093 shares.

The share premium is not available for distribution.

14 STATUTORY RESERVE

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

15 VOLUNTARY RESERVE

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

16 TREASURY SHARES

	2023	*2022*
Number of treasury shares	**128,481,710**	128,481,710
Percentage to issued shares	**8.981%**	8.981%
Market value in KD	**5,820,221**	8,094,347
Cost in KD	**15,503,985**	15,503,985

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

17 OTHER NET OPERATING INCOME (LOSSES)

	2023 *KD*	*2022* *KD*
Gain (Loss) from disposal of investment properties	**5,817**	(1,865)
Impairment of properties held for trading (Note 5)	**-**	(143,220)
Provision for maintenance on leasehold properties	**(552,010)**	(264,000)
Net provision for expected credit losses on trade receivables (Note 4)	**7,638,890**	(5,358,755)
Provision for expected credit losses on loan to an associate	**(1,443,628)**	(1,000,000)
Dividend income	**35,580**	38,023
Amortisation of intangible assets	**(112,337)**	(111,571)
Impairment of property and equipment	**(7,026)**	(1,461,219)
Gain on disposal of property and equipment	**23,211**	149,091
	5,588,497	(8,153,516)

18 GENERAL AND ADMINISTRATIVE EXPENSES

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

	2023 *KD*	*2022* *KD*
Salaries, short-term employee benefits	**3,750,846**	4,178,329
Post-employment benefits	**773,356**	680,694
	4,524,202	4,859,023

Salaries, short-term employee benefits and post-employment benefits charged to cost of revenue amounts to KD 22,321,429 (2022: KD 20,155,322).

19 OTHER NET NON-OPERATING INCOME

	2023 *KD*	*2022* *KD*
Other income	**794,915**	831,104
Foreign exchange gain (loss)	**337,524**	(71,970)
	1,132,439	759,134

20 TAXATION

	2023 *KD*	*2022* *KD*
Contribution to KFAS	**11,789**	32,530
NLST	**-**	170,288
Zakat	**-**	26,984
Taxation on overseas subsidiaries		
Current tax	**3,100**	56,070
Deferred tax	**539,712**	(402,330)
	554,601	(116,458)

20 TAXATION (continued)

The tax rate applicable to the taxable overseas subsidiaries companies is in the range of 15% to 22.5 % (2022: 15% to 28%). 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:

	2023 ***KD***	*2022* *KD*
Revaluation of investment properties to fair value	**(9,739,235)**	(10,208,387)
Revaluation of property and equipment to fair value	**(13,197,486)**	(13,238,703)
Deferred tax – relating to origination and reversal of temporary differences	**(8,774,108)**	(7,742,333)
Deferred tax liabilities	**(31,710,829)**	(31,189,423)

The reconciliation of deferred tax liabilities is detailed as followed:

	2023 ***KD***	*2022* *KD*
As at 1 January	**(31,189,423)**	(31,523,858)
Reversal of expense for the year	**(539,712)**	402,330
Deferred tax adjustment on revaluation of property and equipment to fair value taken to other comprehensive income	**40,162**	(14,397)
Foreign exchange differences	**(21,856)**	(53,498)
As at 31 December	**(31,710,829)**	(31,189,423)

21 BASIC AND DILUTED EARNINGS PER SHARE

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

	2023 ***KD***	*2022* *KD*
Gain for the year attributable to the equity holders of the Parent Company	**4,193,212**	3,388,039
	Shares	*Shares*
Number of shares outstanding		
Weighted average number of paid up shares	**1,430,545,513**	1,194,620,203
Less: Weighted average number of treasury shares	**(128,481,710)**	(114,035,096)
Weighted average number of shares outstanding for basic earnings per share	**1,302,063,803**	1,080,585,107
Earnings per share attributable to equity holders of the Parent Company	**3.22 fils**	3.14 fils

22 DIVIDEND

During the board meeting held on 25 March 2024, the Board of Directors of the Parent Company has not proposed any cash dividend or bonus shares for the distribution to the shareholders (31 December 2022: Nil). These proposals are subject to the approval by the Shareholders' Annual General Assembly.

The shareholders' annual general assembly held on 04 May 2023 approved the audited consolidated financial statements of the Group for the year ended 31 December 2022. The shareholders' annual general assembly had approved to not distribute any dividend or bonus shares for the year ended 31 December 2022 (31 December 2021: Nil).

23 RELATED PARTY TRANSACTIONS

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

	Ultimate Parent Company *KD*	*Associates* *KD*	*Other related parties* *KD*	***2023*** ***KD***	*2022* *KD*
Consolidated statement of financial position					
Cash and deposits (Note 3)	**-**	**-**	**11,892,629**	**11,892,629**	11,463,254
Accounts receivable, prepayments and other assets (Note 4)	**-**	**1,049,165**	**1,240,294**	**2,289,459**	1,644,181
Financial assets at fair value through other comprehensive income (Note 6)	**-**	**-**	**22,164**	**22,164**	21,557
Loan to an associate	**-**	**17,626,657**	**-**	**17,626,657**	15,933,124
Accounts payable, accruals and other payables (Note 10)	**50,592**	**-**	**2,021,009**	**2,071,601**	2,027,998
Interest bearing loans and borrowings (Note 11)	**-**	**-**	**82,341,258**	**82,341,258**	88,218,346
Consolidated income statement					
Contracting and services revenue	**40,563**	**255,874**	**7,195,682**	**7,492,119**	4,165,093
Rental income	**-**	**586,412**	**-**	**586,412**	502,383
Interest income	**-**	**150,572**	**-**	**150,572**	136,439
Other operating revenue	**-**	**1,329,482**	**-**	**1,329,482**	1,826,096
Property operating costs	**-**	**-**	**(596,445)**	**(596,445)**	(756,960)
General and administrative expenses	**-**	**-**	**(221,980)**	**(221,980)**	(394,895)
Finance costs	**-**	**-**	**(4,475,802)**	**(4,475,802)**	(3,529,917)

As at 31 December 2023, interest bearing loan provided by the Group to an associate, Assoufid B.V., amounted to KD 17,626,657 (2022: KD 15,933,124) and is maturing on 1 January 2036. The Group recorded a ECL provision on this loan to the associate amounting to KD 1,443,628 during the current year (31 December 2022: KD1,000,000).

Certain investments with carrying value of KD 904,806 (2022: KD 1,245,459) are managed by a related party (Note 6).

Key management personnel compensation	***2023*** ***KD***	*2022* *KD*
Salaries and short-term employee benefits	**1,079,277**	853,240
End of service benefits	**129,183**	115,506
	1,208,460	968,746

24 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities
At 31 December 2023 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 46,478,299 (31 December 2022: KD 45,631,954).

Capital commitments
The Group has agreed capital commitments with third parties and is consequently committed to future capital expenditure amounting to KD 7,863 (31 December 2022: KD 81,730).

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:

	2023 ***KD***	*2022* *KD*
Within one year	**27,763,470**	26,562,106
After one year but not more than three years	**57,362,288**	53,939,683
	85,125,758	80,501,789

25 LEGAL CASES

(a) On 16 April 2014, the group entered into an agreement with the Aga family ("the Buyer") stipulating the sale of some shares in a subsidiary company, Manazel United for Real Estate Investment Company S.A.E. ("Manazel")). However, the Buyer did not fulfil the obligation to pay the purchase price to the group contrary to the terms of the agreement concluded by the Aga family.

During the period from 2016 to 2018, the Buyer (the Aga family) obtained final judgments affirming the validity and enforceability of contracts for the sale of approximately 45% of the company's shares.

All judgments issued in favour of the Aga family were suspended by the Financial Supervisory Authority and the Public Funds Prosecution based on a complaint filed by the company. A final judgment was issued in favour of the company by the Criminal Court on 18 July 2020, and the Egyptian Court of Cassation on 11 August 2022, in criminal case No. 2915/2020. The court found that the opposing party obtained the above judgments based on forgery in the contract and stock sale orders. The company also appealed the same judgments to the Court of Cassation through requests for reconsideration, which have not been decided as of this date.

Notwithstanding the above, management had recorded a provisional loss of KD 1,982,349 as at 31 December 2023 relating to the potential loss of equity interest in Manazel (31 December 2022: 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.

(b) The Group has certain fully depreciated assets as at 31 December 2023 (31 December 2022: 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 3,252,269 (31 December 2022: KD 3,258,087) and KD 2,482,795(31 December 2022: KD 2,385,794) respectively.

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

26 SEGMENT INFORMATION

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

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

The Group has following reportable segments:

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

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

	Segment revenues ***2023*** ***KD***	***Segment gross profit*** ***2023*** ***KD***	***Segment results*** ***2023*** ***KD***	*Segment revenues* *2022* *KD*	*Segment gross profit* *2022* *KD*	*Segment results* *2022* *KD*
Rental operations #	**34,015,379**	**23,246,976**	**416,243**	24,673,397	15,112,127	11,895,015
Hospitality operations	**14,579,127**	**1,887,210**	**(457,216)**	12,199,180	575,295	(2,510,861)
Real estate development & Trading	**1,994,302**	**1,638,272**	**1,176,330**	1,920,673	1,617,984	(4,653,276)
Contracting	**10,509,825**	**(3,598,999)**	**(2,253,270)**	24,070,061	1,723,570	(1,396,351)
Real estate services	**30,222,428**	**4,907,760**	**3,306,155**	24,966,612	5,126,806	2,973,802
Inter-segmental eliminations	**(4,034,902)**	**(927,279)**	**(329,593)**	(3,206,456)	(1,219,701)	(3,748,439)
Total	**87,286,159**	**27,153,940**	**1,858,649**	84,623,467	22,936,081	2,559,890
Directors' remuneration*			**(42,000)**			(42,000)
Gain on sale of Subsidiary*			**2,575,445**			
Gain on sale of associate*			**-**			1,163,836
Profit for the year			**4,392,094**			3,681,726

* 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 1,052,758 (2022: KD 18,434,933)

26 SEGMENT INFORMATION (continued)

Disaggregated revenue information

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

Timing of revenue recognition	***Services performed*** ***over time KD***	***Services performed*** ***at point in time KD***	***Total 2023 KD***	*Services performed* *over time KD*	*Services performed* *at point in time KD*	*Total 2022 KD*
31 December						
Rental operations	**30,445,141**	**3,570,238**	**34,015,379**	21,241,080	3,432,317	24,673,397
Hospitality operations	**-**	**14,579,127**	**14,579,127**	-	12,199,180	12,199,180
Real estate development & Trading	**1,479,723**	**514,579**	**1,994,302**	1,539,684	380,989	1,920,673
Contracting	**10,509,825**	**-**	**10,509,825**	24,070,061	-	24,070,061
Real estate services	**30,222,428**	**-**	**30,222,428**	24,966,612	-	24,966,612
Inter-segmental eliminations	**(4,034,902)**	**-**	**(4,034,902)**	(3,206,456)	-	(3,206,456)
Total revenue from contracts with customers	**68,622,215**	**18,663,944**	**87,286,159**	68,610,981	16,012,486	84,623,467

	2023 KD	*2022 KD*
Assets:		
Rental operations	**338,579,954**	415,412,010
Hospitality operations	**135,332,209**	134,156,713
Real estate development & trading	**151,180,834**	150,758,209
Contracting	**34,837,600**	42,706,766
Real estate services	**18,676,026**	21,984,713
Unallocated	**1,116,103**	1,114,469
Inter-segmental eliminations	**(14,243,830)**	(98,417,833)
Total assets	**665,478,896**	667,715,047
Liabilities:		
Rental operations	**438,539,947**	457,573,658
Hospitality operations	**52,191,075**	46,440,297
Real estate development & trading	**56,066,009**	49,067,994
Contracting	**34,117,119**	41,422,578
Real estate services	**14,839,356**	17,256,077
Unallocated	**(1,578,695)**	(11,949,121)
Inter-segmental eliminations	**(115,327,985)**	(120,640,145)
Total liabilities	**478,846,826**	479,171,338

Geographical markets

	2023 KD	*2022 KD*
Revenue:		
Kuwait	**68,477,720**	68,913,366
Egypt	**10,388,298**	8,697,369
Lebanon	**908,107**	788,170
Oman	**3,546,222**	3,452,252
Jordan	**3,961,693**	2,763,615
Europe	**4,119**	8,695
	87,286,159	84,623,467

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

26 SEGMENT INFORMATION (continued)

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

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

	2023 KD	*2022 KD*
Kuwait	**170,087,964**	172,387,998
Egypt	**149,495,541**	149,759,488
Lebanon	**29,363,766**	29,200,297
UAE	**10,922,903**	10,913,185
Syria	**3,605,900**	3,603,926
Oman	**72,310,725**	73,026,597
Bahrain	**1,180,251**	290,377
Jordan	**112,408,730**	111,427,989
Europe	**23,802,653**	23,524,207
KSA	**1,771,560**	1,742,165
	574,949,993	575,876,229

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial instruments comprise financial assets and financial liabilities.

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

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

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

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

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

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

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	Level: 1	*Level: 3*	*Total*
2023	***KD***	***KD***	***KD***
Financial assets at fair value through other comprehensive income (Note 6):			
Quoted equity shares	**175,057**	**-**	**175,057**
Unquoted equity shares	**-**	**1,866,871**	**1,866,871**
	175,057	**1,866,871**	**2,041,928**

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

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 2023 KD	*31 December 2022 KD*
As at 1 January	**1,856,270**	3,215,546
Re-measurement recognised in other comprehensive income	**2,541**	(1,153,674)
Others including net purchases (sales) and transfer	**8,060**	(205,602)
As at 31 December	**1,866,871**	1,856,270

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.

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

28 BUSINESS COMBINATION

On 11 August 2022, the Parent Company obtained the approval of Kuwait Capital Market Authority (CMA) to merge United Towers Holding Company K.S.C. (Closed) ("UTHC"), an existing associate, with the Parent Company through swap, where shareholders of UTHC will receive shares of the Parent Company. UTHC was principally engaged in provision of real estate activities.

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

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

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

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

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

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

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

During 2023, all the ordinary shares of UTHC were transferred to the Parent Company. Subsequently, an EGM of the UTHC was held on 28 February 2024 to initiate its dissolution process. Currently, the Parent Company is undergoing the dissolution process of UTHC with the Ministry.

29 INVESTMENT IN A SUBSIDIARY

On 11 August 2022, the Parent Company also obtained approval of CMA to merge Al Dhiyafa Holding Company K.S.C. (Closed) ("DHC") an existing subsidiary of the Parent Company, through a swap, where shareholders of DHC received shares of the Parent Company.

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

During the 2022, the EGM of the Parent Company also approved the merger between DHC and Parent Company by way of amalgamation, including the dissolution of DHC. Pursuant to which the Parent Company became the merging company and DHC became the merged company.

30 RISK MANAGEMENT

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

The management is monitoring and reassessing the risk management objectives and policies based on the current updates. For the year ended 31 December 2023, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2022.

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:

	2023	*2022*
	KD	*KD*
Bank balances and deposits	**35,383,705**	20,799,397
Accounts receivable and other assets *(excluding prepayments)*	**51,905,977**	59,920,768
Loan to an associate	**17,626,657**	15,933,124
	104,916,339	96,653,289

As at 31 December 2023, the maximum credit exposure to a single counterparty amounts to KD 17,626,657 (2022: KD 15,933,124). The above-mentioned, financial assets of the Group are distributed over the following geographical regions:

	2023	*2022*
Geographical regions	***KD***	*KD*
Kuwait	**76,791,617**	72,274,223
Jordan	**3,629,528**	3,378,543
Egypt	**4,503,638**	4,857,921
Lebanon	**546,289**	702,417
Oman	**799,351**	2,462,341
Europe	**17,780,935**	12,944,391
UAE	**839,555**	8,024
Bahrain	**25,426**	25,429
	104,916,339	96,653,289

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.

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

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 2023						
Accounts payable, accruals and other payables	**569,202**	**5,945,881**	**62,221,613**	**68,736,696**	**8,759,040**	**77,495,736**
Interest bearing loans and borrowings *	**1,497,455**	**7,975,788**	**28,243,128**	**37,716,371**	**354,412,587**	**392,128,958**
Bonds	**-**	**-**	**5,663,500**	**5,663,500**	**98,406,375**	**104,069,875**
Total liabilities	**2,066,657**	**13,921,669**	**96,128,241**	**112,116,567**	**461,578,002**	**573,694,569**

	Within one year					
	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*Sub total KD*	*1 to 5 years KD*	*Total KD*
31 December 2022						
Accounts payable, accruals and other payables	1,214,782	6,774,946	71,021,606	79,011,334	9,916,117	88,927,451
Interest bearing loans and borrowings *	1,360,682	5,425,900	56,446,561	63,233,143	279,147,008	342,380,151
Bonds	847,094	60,881,906	-	61,729,000	-	61,729,000
Total liabilities	3,422,558	73,082,752	127,468,167	203,973,477	289,063,125	493,036,602

* Interest bearing loans and borrowings includes an amount of short-term loans and overdraft KD12,659,421 (2022: KD 19,883,288). The balance is due within one year from the reporting date and is renewable on maturity.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities.

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

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

United Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

30 RISK MANAGEMENT (continued)

30.3 Market risk (continued)

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit before directors' remuneration and taxation, based on floating rate financial assets and financial liabilities held at 31 December 2023 and 31 December 2022. There is no impact on equity.

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

	50 basis points increase Effect on profit before directors' remuneration and taxation	
	2023 KD	*2022 KD*
US Dollars	**(45,346)**	(136,220)
Kuwaiti Dinars	**(1,659,172)**	(1,283,223)
Jordanian Dinars	**(98,494)**	-
Omani Riyal	**(72,362)**	(73,395)
Egyptian Pound	**(27,987)**	(21,019)

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 2023 and 31 December 2022 due to 5% increase in the following market indices with all other variables held constant is as follows:

	Effect on equity	
Market indices	***2023 KD***	*2022 KD*
Kuwait	**31,535**	31,622
Others	**70,561**	87,682

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

30 RISK MANAGEMENT (continued)

30.3 Market risk (continued)

30.3.3 Foreign currency risk

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

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

	Increase by 1%	
	Effect on profit before directors' remuneration and taxation	
	2023	*2022*
	KD	*KD*
US Dollars	**(241,465)**	(229,381)
Euro	**176,267**	169,331
Egyptian Pounds	**(307,028)**	(311,871)
British Pound	**595**	280
Omani Riyal	**(203,761)**	(197,602)
Jordanian Dinar	**(9,483)**	(11,391)

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

Subsequent to the reporting period, during March 2024, there was an approximate 40% devaluation of the Egyptian pound (EGP), that will result in a corresponding devaluation of Group's Egyptian assets.

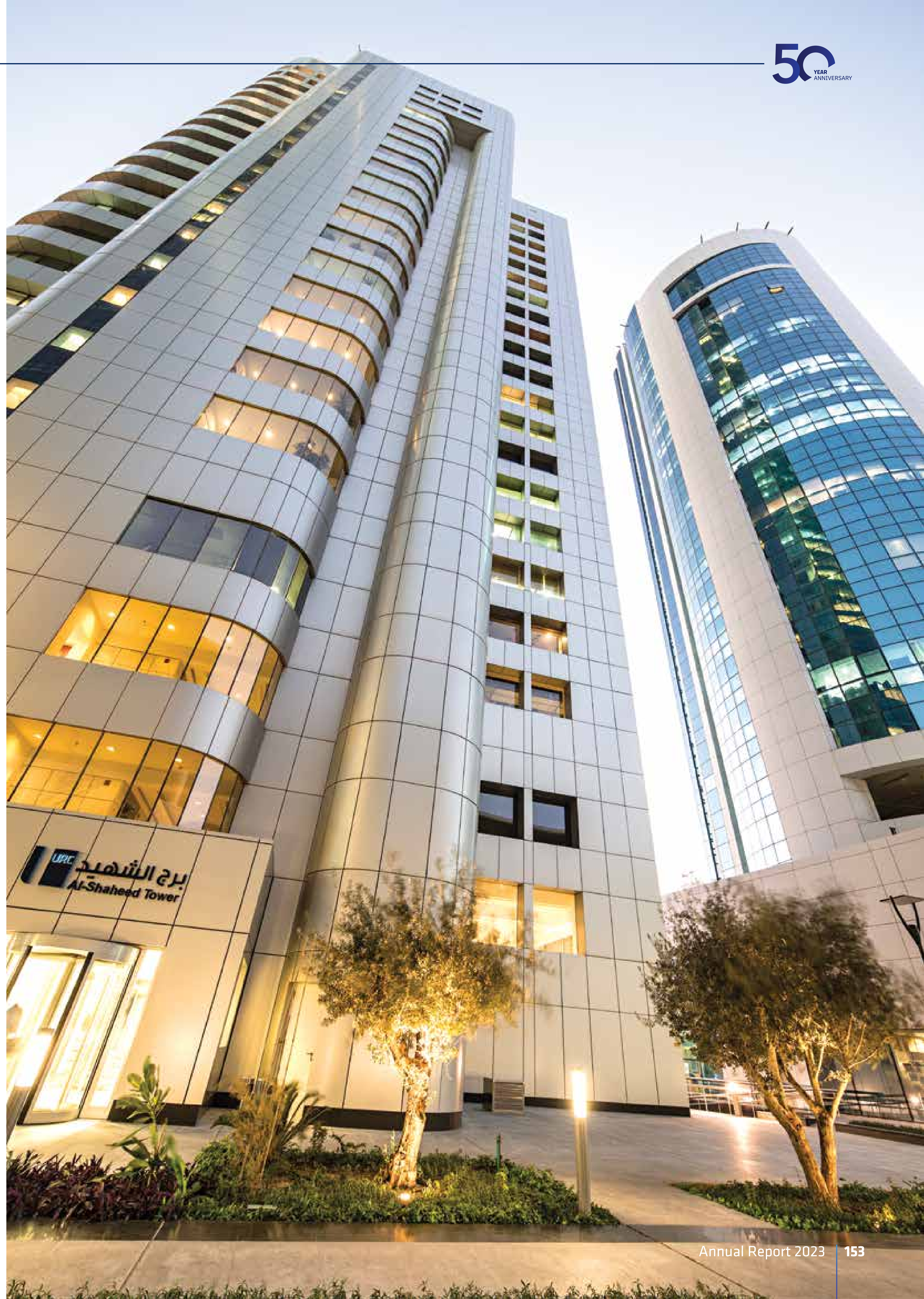
31 CAPITAL MANAGEMENT

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.

	2023	*2022*
	KD	*KD*
Interest bearing loans and borrowings (Note 11)	**291,617,471**	302,771,297
Bonds (Note 12)	**80,000,000**	60,000,000
Less: Cash, bank balances and deposits (Note 3)	**(35,383,705)**	(20,799,397)
Net debt	**336,233,766**	341,971,900
Total equity	**186,632,070**	188,543,709
Gearing ratio	**180.16%**	181.38%



CONTACT **US**

www.urc.com.kw

@urc_kw

urc_kw

United Real Estate Company (URC)

United Real Estate Company (URC)

Scan the code to visit our website and get the electronic copy of the Report

50
YEAR
ANNIVERSARY

URC
شركة العقارات المتحدة
United Real Estate Co