

**UNITED PROJECTS COMPANY FOR
AVIATION SERVICES K.S.C. (CLOSED)
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

- P.O. Box 74 Safat
13001 Safat, Kuwait
Souk As Safat, 3rd Floor
Abdullah Mubarak Street
- Tel : 245 2880
Fax: 245 6419
Email: kuwait@kw.ey.com



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED)

We have audited the accompanying consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) ('the parent company') and Subsidiaries ('the group'), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED)**
(Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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 Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out, and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2006 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
OF ERNST & YOUNG



DR. SAUD AL HUMAIDI
LICENCE NO. 51 A
AL-HUMAIDI & PARTNERS
INDEPENDENT MEMBER OF BAKER
TILLY INTERNATIONAL

18 February 2007

Kuwait

United Projects Company For Aviation Services K.S.C. (Closed) and
Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	<i>2006</i> <i>KD</i>	<i>2005</i> <i>KD</i>
Revenue		6,089,512	5,275,653
Operating costs		<u>(2,025,351)</u>	<u>(1,833,982)</u>
GROSS PROFIT		4,064,161	3,441,671
Other income	3	833,734	84,157
Interest income		37,346	90,689
Dividend income		131,610	4,250
Share of results of associates	9	2,553	-
Distribution costs		<u>(317,906)</u>	<u>(250,959)</u>
General and administrative expenses		<u>(799,375)</u>	<u>(473,630)</u>
Depreciation		<u>(40,750)</u>	<u>(44,297)</u>
Impairment of goodwill		-	(8,444)
Finance costs		<u>(560,350)</u>	<u>(746,252)</u>
Realised loss on disposal of available for sale investments		<u>(649,824)</u>	<u>-</u>
PROFIT FOR THE YEAR BEFORE BOARD OF DIRECTORS REMUNERATION, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES AND NATIONAL LABOUR SUPPORT TAX		2,701,199	2,097,185
Board of directors remuneration		<u>(30,000)</u>	<u>(13,000)</u>
Contribution to Kuwait Foundation for the Advancement of Sciences		<u>(24,308)</u>	<u>(18,874)</u>
National labour support tax		<u>(64,233)</u>	<u>-</u>
PROFIT FOR THE YEAR	4	<u>2,582,658</u>	<u>2,065,311</u>
Attributable to:			
Equity shareholders of the parent company		2,582,400	2,065,237
Minority interests		<u>258</u>	<u>74</u>
		<u>2,582,658</u>	<u>2,065,311</u>
BASIC AND DILUTED EARNINGS PER SHARE	5	<u>34.52 fils</u>	<u>38.08 fils</u>

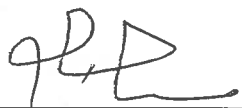
The attached notes 1 to 28 form part of these consolidated financial statements.


United Projects Company For Aviation Services K.S.C. (Closed) and
Subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	2006 KD	2005 KD
ASSETS			
Non-current assets			
Projects under construction	6	7,415,713	1,078,078
Property and equipment	7	123,410	136,163
Intangible assets	8	15,564,793	16,381,906
Investments in associates	9	727,553	100,000
Available for sale investments	10	8,780,258	3,092,345
		<u>32,611,727</u>	<u>20,788,492</u>
Current assets			
Inventories		72,782	64,469
Receivables and other debit balances	11	4,882,491	238,368
Due from related parties	20	345,411	71,413
Cash and cash equivalents	12	214,391	11,075,621
		<u>5,515,075</u>	<u>11,449,871</u>
TOTAL ASSETS		<u>38,126,802</u>	<u>32,238,363</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	7,500,000	7,500,000
Share premium	13	10,500,000	10,500,000
Treasury shares	14	(147,150)	-
Statutory reserve	15	600,058	329,964
Voluntary reserve	16	600,058	329,964
Cumulative changes in fair values		(262,161)	31,750
Retained earnings		3,878,384	2,586,172
		<u>22,669,189</u>	<u>21,277,850</u>
Minority interests		302,392	98,535
Total equity		<u>22,971,581</u>	<u>21,376,385</u>
Non-current liabilities			
Term loans	17	5,580,000	5,900,000
Employees' end of service benefits	18	173,160	101,232
		<u>5,753,160</u>	<u>6,001,232</u>
Current liabilities			
Accounts payable and other credit balances	19	2,934,029	2,819,353
Due to related parties	20	68,032	441,393
Term loans	17	6,400,000	1,600,000
		<u>9,402,061</u>	<u>4,860,746</u>
Total liabilities		<u>15,155,221</u>	<u>10,861,978</u>
TOTAL EQUITY AND LIABILITIES		<u>38,126,802</u>	<u>32,238,363</u>


Majed Essa Al Ajeel
Chairman


Abdulaziz Saad Abdulaziz Al-Rashed
Vice Chairman

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

United Projects Company For Aviation Services K.S.C. (Closed) and
Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2006

	Notes	2006 KD	2005 KD
OPERATING ACTIVITIES			
Profit for the year attributable to equity shareholders of the parent company		2,582,400	2,065,237
Adjustments for:			
Share of results of associates	9	(2,553)	-
Realised loss on disposal of available for sale investments		649,824	-
Impairment of goodwill		-	8,444
Depreciation and amortisation		1,017,380	1,006,935
Provision for employees' end of service benefits	18	75,430	52,478
Interest income		(37,346)	(90,689)
Finance costs		560,350	746,252
		<u>4,845,485</u>	<u>3,788,657</u>
Working capital changes:			
Inventories		(8,313)	(2,945)
Receivables and other debit balances		(4,644,123)	209,184
Due from related parties		(273,998)	86,237
Accounts payable and other credit balances		85,322	115,039
Due to related parties		(373,361)	140,301
Cash (used in) from operations		<u>(368,988)</u>	<u>4,336,473</u>
Employees' end of service benefits paid	18	(3,502)	(43,946)
Net cash (used in) from operating activities		<u>(372,490)</u>	<u>4,292,527</u>
INVESTING ACTIVITIES			
Net movement in minority interests		203,857	39,912
Purchase of available for sale investments		(10,479,747)	(3,002,195)
Proceeds from disposal of available for sale investments		3,848,099	-
Paid for project under construction	6	(6,337,635)	(1,008,685)
Purchase of property and equipment	7	(27,997)	(54,513)
Additions to intangible assets	8	(159,517)	(695,958)
Investment in associate		(625,000)	-
Interest received		37,346	47,796
Net cash used in investing activities		<u>(13,540,594)</u>	<u>(4,673,643)</u>
FINANCING ACTIVITIES			
Increase in share capital		-	14,000,000
Purchase of treasury shares		(147,150)	-
Repayment of term loans		(1,900,000)	(5,200,000)
Proceeds from term loans		6,380,000	3,000,000
Dividend paid		(698,800)	-
Finance costs paid		(582,196)	(751,473)
Net cash from financing activities		<u>3,051,854</u>	<u>11,048,527</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(10,861,230)</u>	<u>10,667,411</u>
Cash and cash equivalents at 1 January		<u>11,075,621</u>	<u>408,210</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	<u><u>214,391</u></u>	<u><u>11,075,621</u></u>

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

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2006

	Attributable to equity shareholders of the parent company							Minority interest KD	Total KD	
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair values KD	Retained earnings KD			Sub total KD
Balance at 1 January 2005	4,000,000	-	-	120,253	120,253	4,600	940,357	5,185,463	58,623	5,244,086
Net movement in fair value of available for sale investments during the year	-	-	-	-	-	27,150	-	27,150	-	27,150
Total income for the year recognised directly in equity	-	-	-	-	-	27,150	-	27,150	-	27,150
Profit for the year	-	-	-	-	-	-	2,065,237	2,065,237	74	2,065,311
Total income for the year	-	-	-	-	-	27,150	2,065,237	2,092,387	74	2,092,461
Increase in share capital	3,500,000	10,500,000	-	-	-	-	-	14,000,000	-	14,000,000
Adjustment on increase in share capital of subsidiary	-	-	-	-	-	-	-	-	39,838	39,838
Transfer to reserves	-	-	-	209,711	209,711	-	(419,422)	-	-	-
Balance at 31 December 2005	7,500,000	10,500,000	-	329,964	329,964	31,750	2,586,172	21,277,850	98,535	21,376,385
Recognised loss on available for sale investments during the year	-	-	-	-	-	649,824	-	649,824	-	649,824
Net movement in fair value of available for sale investments during the year	-	-	-	-	-	(943,735)	-	(943,735)	-	(943,735)
Total expense for the year recognised directly in equity	-	-	-	-	-	(293,911)	-	(293,911)	-	(293,911)
Profit for the year	-	-	-	-	-	-	2,582,400	2,582,400	258	2,582,658
Total income and expense for the year	-	-	(147,150)	-	-	(293,911)	2,582,400	2,288,489	258	2,288,747
Purchase of treasury shares	-	-	-	-	-	-	-	(147,150)	-	(147,150)
Adjustment on increase in share capital of subsidiary	-	-	-	-	-	-	-	-	203,599	203,599
Dividend paid (Note 23)	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to reserves	-	-	-	270,094	270,094	-	(540,188)	-	-	-
Balance at 31 December 2006	7,500,000	10,500,000	(147,150)	600,058	600,058	(262,161)	3,878,384	22,669,189	302,392	22,971,581

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

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

1 ACTIVITIES

The consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) (the parent company) and subsidiaries (the group) for the year ended 31 December 2006 were authorised for issue by the board of directors on 18 February 2007.

United Projects Company for Aviation Services K.S.C. (Closed), was established as a closed Kuwaiti Shareholding Company on 4 December 2000 and its registered address is Fahed Al Salem Street, Al Abrar Tower, P.O. Box 27068 Safat 13131, State of Kuwait. The main objectives of the parent company are:

- Providing airplane ground and cleaning services and supply of water and other airplane supplies.
- Leasing out airplanes.
- Tourism, travel and cargo shipment services.
- Managing projects.
- Investing surplus funds in investment portfolios managed by specialised institutions.

The parent company has the right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.

On 5 June 2006 the parent company's shares were listed on the Kuwait stock exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Ministerial Order No. 18 of 1990.

The consolidated financial statements have been presented in Kuwaiti Dinars.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

The accounting policies are consistent with those used in the previous year except as noted in Note 28 below.

New and amended IASB Standards and Interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the group:

IFRS 7 Financial Instruments: Disclosures
IFRIC Interpretation 10: Interim Financial Reporting and Impairment
Amendments to IAS1 - Capital Disclosures

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. The application of IFRIC 10 which is also effective for year ending 31 December 2007 is not expected to have a material impact on the consolidated financial statements of the group.

Amendments to IAS 1 *Presentation of Financial Statements* were issued by the IASB as Capital Disclosures in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the group's objectives, policies and processes for managing capital.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and entities listed below:

<i>Name</i>	<i>Principal activity</i>	<i>Beneficial ownership</i>
Kuwait United Construction Management Company W.L.L. (incorporated in Kuwait)	Construction	100%
Jet Aviation Company K.S.C. (Closed) (incorporated in Kuwait)	Management and services	91.75%

Subsidiaries are those enterprises controlled by the parent company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Revenue recognition

Rental income is recognised, when earned, on a time apportionment basis. Car park fees are recognised when cash is received. Interest income is recognised as the interest accrues. Dividend income is recognised when the right to receive the dividend is established.

Projects under construction

Projects under construction are carried at cost, which includes construction cost, assets, and other direct expenses and capitalised finance costs directly related to the project.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Office building	over 10 years
Furniture and fixtures	over 3 to 5 years
Computers	over 3 to 5 years
Vehicles	over 3 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 value less costs to sell and their values in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and is treated as change in accounting estimates.

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

The group's investments in associates are accounted for under the equity method of accounting. These are entities over which the group exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the group's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the group and its associate are eliminated to the extent of the group's interest in the associate.

Available for sale investments

Available for sale investments are recognised and derecognised, on a trade date basis, when the group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available for sale investments are initially recorded at cost including transaction costs and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the consolidated income statement for the period.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Receivables and other debit balances

Receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and bank balances, net of outstanding bank overdrafts.

Accounts payable and other credit balances

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

Term loans

The term loans are carried on the balance sheet at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and accruals'.

Employees' end of service benefits

The group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the group makes contributions to social security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the parent company's own shares that have been issued, subsequently reacquired by the parent company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. 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 gain on sale of treasury shares 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

3 OTHER INCOME

Other income for the year includes KD 700,000 being write back of excess provision for lease rentals no longer required.

4 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2006 KD	2005 KD
Staff costs included in:		
- Operating costs	659,944	205,059
- General and administrative expenses	425,907	331,041
	<u>1,085,851</u>	<u>536,100</u>
Rental- operating leases	<u>459,586</u>	<u>401,349</u>

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity shareholders of the parent company by the weighted average number of shares outstanding during the year after adjusting for treasury shares as follows:

	2006 KD	2005 KD
Profit for the year attributable to equity shareholders of the parent company	<u>2,582,400</u>	<u>2,065,237</u>
	Shares	Shares
Weighted average number of shares outstanding during the year	<u>74,815,671</u>	<u>54,230,769</u>
Basic and diluted earnings per share	<u>34.52 fils</u>	<u>38.08 fils</u>

6 PROJECTS UNDER CONSTRUCTION

Projects under construction represent cost of work under progress in respect of various projects undertaken by the group during the year.

	2006 KD	2005 KD
Balance at 1 January	1,078,078	69,393
Additions	<u>6,337,635</u>	<u>1,008,685</u>
Balance at 31 December	<u>7,415,713</u>	<u>1,078,078</u>

7 PROPERTY AND EQUIPMENT

	<i>Office building KD</i>	<i>Furniture and fixtures KD</i>	<i>Computers KD</i>	<i>Vehicles KD</i>	<i>Total KD</i>
Cost:					
At 1 January 2006	102,180	171,648	44,434	12,665	330,927
Additions	-	7,044	1,703	19,250	27,997
At 31 December 2006	<u>102,180</u>	<u>178,692</u>	<u>46,137</u>	<u>31,915</u>	<u>358,924</u>
Depreciation:					
At 1 January 2006	13,068	128,749	40,375	12,572	194,764
Depreciation charge for the year	12,186	24,804	1,535	2,225	40,750
At 31 December 2006	<u>25,254</u>	<u>153,553</u>	<u>41,910</u>	<u>14,797</u>	<u>235,514</u>
Net carrying amount					
At 31 December 2006	<u>76,926</u>	<u>25,139</u>	<u>4,227</u>	<u>17,118</u>	<u>123,410</u>
At 31 December 2005	<u>89,112</u>	<u>42,899</u>	<u>4,059</u>	<u>93</u>	<u>136,163</u>

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

8 INTANGIBLE ASSETS

Intangible assets represent cost incurred on construction of car park and commercial complex of Kuwait International airport, on built own and transfer (BOT) basis (Note 28).

	<i>KD</i>
Cost:	
At 1 January 2006	19,129,986
Additions	159,517
At 31 December 2006	<u>19,289,503</u>
Amortisation:	
At 1 January 2006	2,748,080
Amortisation charge for the year	976,630
At 31 December 2006	<u>3,724,710</u>
Net carrying amount	
At 31 December 2006	<u>15,564,793</u>
At 31 December 2005	<u>16,381,906</u>

9 INVESTMENTS IN ASSOCIATES

The group has the following investments in associates:

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership</i>	
			<i>2006</i>	<i>2005</i>
United Boubyan Hospital K.S.C (Closed)	Kuwait	Hospital and medical services	20%	20%
Sporting Real Estate Company K.S.C (Closed)	Kuwait	Real estate	25%	-

Both these associates have not commenced operations as of 31 December 2006.

The following table illustrates summarised information of the group's investments in associates:

	<i>2006 KD</i>	<i>2005 KD</i>
Share of associates' balance sheets:		
Current assets	103,086	100,000
Non-current assets	625,217	-
Current liabilities	(750)	-
Net assets	<u>727,553</u>	<u>100,000</u>
Share of associates' revenues and results:		
Revenues	<u>3,323</u>	-
Results	<u>2,553</u>	-

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

10 AVAILABLE FOR SALE INVESTMENTS

	2006 KD	2005 KD
Managed portfolios- unquoted equities	2,284,241	-
Other unquoted equities	5,145,908	3,046,695
Managed portfolios- quoted equities	1,317,439	-
Other quoted equities	32,670	45,650
	<u>8,780,258</u>	<u>3,092,345</u>

Unquoted equities amounting to KD 3,045,908 (2005: KD 45,750) are carried at cost as there is no reliable means to determine the fair value. Management is not aware of any circumstances that would indicate any impairment in the value of these investments at the balance sheet date.

11 RECEIVABLES AND OTHER DEBIT BALANCES

	2006 KD	2005 KD
Trade receivables	288,681	105,519
Advances to contractors and others	22,732	30,778
Prepayments	28,041	30,121
Other debit balances	43,037	71,950
Advance for purchase of equity investment (Note 17)	4,500,000	-
	<u>4,882,491</u>	<u>238,368</u>

During December 2006, the parent company has paid an advance of KD 4,500,000 for purchase of equity investment in Gulf Aviation Services Group W.L.L.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following balance sheet amounts:

	2006 KD	2005 KD
Bank balances and cash	225,135	11,114,594
Bank overdraft	(10,744)	(38,973)
	<u>214,391</u>	<u>11,075,621</u>

Included in bank balances and cash are bank deposits of KD nil (2005: KD 10,300,000) with a commercial bank in Kuwait. These are denominated in Kuwaiti Dinars, are short term in nature and with an effective interest rate of nil % per annum (2005: 4.75% per annum).

The bank overdraft carries an interest rate of 1.75% to 2.25% per annum (2005: 1.75% to 2.25% per annum) over the Central Bank of Kuwait discount rate.

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

13 SHARE CAPITAL AND SHARE PREMIUM

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
75,000,000 shares of 100 fils each	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>

In the previous year 35,000,000 shares of 100 fils each were issued for cash at 400 fils per share. The premium arising has been credited to a share premium reserve.

14 TREASURY SHARES

	<i>2006</i>	<i>2005</i>
Number of treasury shares (share)	<u>360,000</u>	<u>-</u>
Percentage of issued shares (%)	<u>0.48 %</u>	<u>-</u>
Market value (KD)	<u>138,600</u>	<u>-</u>

15 STATUTORY RESERVE

As required by the Law of Commercial Companies and the Articles of Association of the parent company, 10% of the profit for the year before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences and National Labour Support Tax has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the total reserve equals 50% of paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in periods when accumulated profits are not sufficient for the payment of a dividend of that amount.

16 VOLUNTARY RESERVE

According to the parent company's Articles of Association, 10% of the profit for the year before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences and National Labour Support Tax has been transferred to the voluntary reserve. The voluntary reserve can only be distributed when approved by the shareholders' general assembly.

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

17 TERM LOANS

2006 Currency	KD	Effective interest rate	Maturity
<i>Non current liabilities</i>			
Kuwaiti Dinar	4,300,000	Central Bank of Kuwait discount rate plus 2% per annum	June 2009
Kuwaiti Dinar	1,280,000	Central Bank of Kuwait discount rate plus 3% per annum	December 2014
	<u>5,580,000</u>		
<i>Current liabilities</i>			
Kuwaiti Dinar	1,600,000	Central Bank of Kuwait discount rate plus 2% per annum	December 2007
Kuwaiti Dinar	300,000	Central Bank of Kuwait discount rate plus 2.5% per annum	March 2007
Kuwaiti Dinar	4,500,000	Central Bank of Kuwait discount rate plus 2.5% per annum	December 2007
	<u>6,400,000</u>		

2005 Currency	KD	Effective interest rate	Maturity
<i>Non current liabilities</i>			
Kuwaiti Dinar	5,900,000	Central Bank of Kuwait discount rate plus 2% per annum	June 2009
<i>Current liabilities</i>			
Kuwaiti Dinar	1,600,000	Central Bank of Kuwait discount rate plus 2% per annum	December 2006

Term loan amounting to KD 4,500,000 (2005: KD nil) is secured against an equity investment for which advance has been paid as of 31 December 2006 (Note 11).

18 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated balance sheet are as follows:

	2006 KD	2005 KD
Provision as at 1 January	101,232	92,700
Provided during the year	75,430	52,478
End of service benefits paid	(3,502)	(43,946)
Provision as at 31 December	<u>173,160</u>	<u>101,232</u>

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

19 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2006 KD	2005 KD
Due to contractors and suppliers	773,960	1,338,787
Retentions	662,417	86,772
Accrued expenses	342,413	256,599
Unearned income	-	43,679
Tenant deposits	694,620	685,169
Provision for staff leave	68,711	53,777
Other credit balances	340,708	354,570
Dividend payable	51,200	-
	<u>2,934,029</u>	<u>2,819,353</u>

20 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel 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 group's management.

The related party transaction balances are as follows:

	2006 KD	2005 KD
Consolidated income statement:		
Revenue	178,576	130,690
Interest income	37,346	90,689
General and administrative expenses	123,191	10,800
Consolidated balance sheet:		
Due from related parties	345,411	71,413
Cash and cash equivalents	208,223	11,074,325
Due to related parties	68,032	441,393
Term loans	7,480,000	7,500,000

Available for sale investments (Note 10) of KD 3,601,680 (2005: KD Nil) are managed by a related party.

Amount due from/to related parties are interest free and are receivable/payable on demand.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2006 KD	2005 KD
Short-term benefits	203,435	81,491
Employees' end of service benefits	22,596	5,758
	<u>226,031</u>	<u>87,249</u>

United Projects Company For Aviation Services K.S.C. (Closed)
and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

21 COMMITMENTS

The group had capital commitments against projects under construction amounting to KD 6,332,854 (2005: KD 900,713) and investments in associates amounting to KD 625,000 (2005: KD nil).

The car park and commercial complex of Kuwait International Airport (Note 8) are constructed on a leased land for which an annual lease payment commitment of KD 465,000 (2005: KD 376,429) has been made. The lease payments for the future periods are as follows:

	<i>2006</i> <i>KD</i>	<i>2005</i> <i>KD</i>
Not later than 5 years	2,325,000	1,882,145
Later than 5 years	5,234,753	4,924,937
	<u>7,559,753</u>	<u>6,807,082</u>

22 CONTINGENCIES

At 31 December 2006 the group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 2,804,246 (2005: KD 334,818).

23 PROPOSED DIVIDEND AND BONUS SHARES

For the year ended 31 December 2006, a cash dividend of KD 0.010 per share (excluding treasury shares) totalling KD 750,000 and issue of bonus shares of 10% of paid up capital totalling 7,500,000 shares has been proposed by the Board of Directors and will be submitted for formal approval at the Annual General Meeting of shareholders. The proposed cash dividend and issue of bonus shares has not been recognised as a liability at 31 December 2006.

Cash dividend of KD 0.010 per share totalling to KD 750,000, proposed by the Board of Directors for the year ended 31 December 2005 was approved at the Annual General Meeting of shareholders held on 8 March 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

24 SEGMENTAL INFORMATION

The group's activities are in two primary segments, investments and project management and consultancy services.

	<i>Investments</i>		<i>Project management and consultancy services</i>		<i>Total</i>	
	2006 KD	2005 KD	2006 KD	2005 KD	2006 KD	2005 KD
Segment revenue	6,530,716	5,119,530	564,039	335,219	7,094,755	5,454,749
Segment profit (loss)	2,530,459	2,105,715	52,199	(40,404)	2,582,658	2,065,311
Assets	37,894,244	32,090,920	232,558	147,443	38,126,802	32,238,363
Liabilities	14,995,728	10,763,705	159,493	98,273	15,155,221	10,861,978

Both segments operations are in Kuwait.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

25 RISK MANAGEMENT

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdraft and term loans. The effective interest rates are disclosed in Note 12 and 17.

Credit risk

The group seeks to limit its credit risk with respect to customers/tenants by setting credit limits for individual customers/tenants and monitoring outstanding receivables.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available.

Currency risk

Significant portion of the group's assets and liabilities are denominated in Kuwaiti Dinars.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, receivables, due from related parties and available for sale investments. Financial liabilities consist of term loans, payables and due to related parties.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (see Note 10), are not materially different from their carrying values.

27 ESTIMATION UNCERTAINTY AND JUDGEMENTS

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

Impairment of available for sale investments

The group treats available for sale investment equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Valuation of unquoted equity investments

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

- current fair value of another instrument that is substantially the same ; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

United Projects Company For Aviation Services K.S.C. (Closed) and
Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

27 ESTIMATION UNCERTAINTY AND JUDGEMENTS (continued)

Impairment of receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade receivables were KD 308,408 (2005: KD 118,074), and the provision for doubtful debts was KD 19,727 (2005: KD 12,555). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

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

Classification of investments

On acquisition of investments management decides whether it should be classified as available for sale or other categories under IAS 39.

28 COMPARITIVE INFORMATION

The group has early adopted the new "IFRIC 12 Service Concession Arrangements" during the year. The IFRIC interpretation is effective only for the year beginning on or after 1 January 2008. Earlier application is permitted.

The group had earlier classified cost incurred in connection with construction of car park and commercial complex in Kuwait International Airport ("the project") as investment properties. The investment properties were stated at cost less accumulated depreciation and impairment losses, if any. Consequent to the adoption of "IFRIC 12 Service Concession Arrangements", the group has now reclassified the cost incurred on the project as intangible assets (Note 8). Accordingly, in accordance with the transition requirements, the carrying value of investment properties as on 1 January 2006 amounting to KD 16,381,906 has been reclassified as intangible assets. There was no impact of this reclassification on the consolidated income statement for the year ended 31 December 2005 or on retained earnings as at 1 January 2005.