UPAC
UNITED PROJECTS CO.
FOR AVIATION SERVICES | K.S.C.P

ANNUAL REPORT

2022

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Company Profile

United Projects for Aviation Services Co. (UPAC), is a commercial real estate development and facilities management company, operating in Kuwait since 2000. UPAC is publicly traded on Boursa Kuwait, and is one of Agility's infrastructure companies, a long-term investor and operator in supply chain services, infrastructure, and innovation.

The company focuses its efforts on the investment and management of real estate and other large key projects within Kuwait, with a specialization in Build Operate Transfer (BOT) initiatives. UPAC's core services include real estate management, project management and consultancy, as well as maintenance and facilities management services. UPAC's customer base includes a wide range of leading retailers, food and beverage companies, airline companies and financial institutions.

UPAC's key projects include:

Kuwait International Airport

UPAC manages 10,000 square meters of commercial space at the airport, in addition to the provision of maintenance and facilities management services. The 24/7 operation includes the management of over 200 retail units covering restaurants, telecom operators, banks, car rental companies amongst others. Under its management are two check-in zones with a total of 64 counters, as well as a multi-story parking facility accommodating 1,500 vehicles in the short-term car park and 700 vehicles in the long-term car park.

Terminal 4

UPAC manages the parking lot and related facilities at Terminal 4 (T4), which holds a total capacity of 2,457 parking spaces (657 in the long-term parking and 1,800 in the short-term parking), all of which are shaded and spacious, and a short walk to the satellite building where passengers can easily cross the departure bridge connected directly to the terminal.

The parking lots utilize state-of-the-art parking equipment that UPAC has installed and manages. These include technologies such as license plate recognition technology, and automated entry and exit lanes. In addition, UPAC has installed Auto Pay Stations for swift and convenient customer payment, further facilitating customers' entrance and exit to the T4 terminal.

Sheikh Saad Terminal

UPAC manages over 2,000 square meters of commercial space inside the airport's terminal that includes a variety of restaurants, coffee shops, business center and offices. In addition, the company provides end to end maintenance and facilities management services within the terminal, including the supervision of the car parks and other related facilities.

Reem Mall

UPAC is a major investor in Abu Dhabi's Reem Mall, the $1.3 billion mega mall covering 2.9 million square feet, comprised of 450 stores and food and beverage outlets, and will offer a wide range of family-focused entertainment such as Snow Park Abu Dhabi. The mall will also be home to a first-of-its-kind fully integrated omni-channel retail ecosystem with fully enabled digital, e-commerce and logistics capabilities, bringing together all consumer and retailer services ensuring a seamless experience.


أهلاً وسهلاً بكم في سوق المطار
WELCOME TO THE AIRPORT MALL
Managed by
UPAC
أجرة المطار
AIRPORT TAXI

Tarek Al Mousa

Chairman of the Board of Directors

Member of the Board Nomination and Remuneration Committee (BNRC)

As Chairman, Tarek Al Mousa provides leadership to the Board of Directors and acts as a direct liaison between the board and executive management. He also oversees the Company's corporate governance program and aims to protect the interests of investors and stakeholders. In addition, Tarek is also the Vice Chairperson and CEO of the Metal and Recycling Company (MRC). MRC is a waste management Company offering the latest practical and cost-effective solutions to manage the complexities of responsible waste management. Tarek also managed several executive positions within Agility, last serving as the Executive Director of Strategic Programs.

Tarek holds a bachelor's degree in Mass Media and Sociology from the University of Evansville, Indiana.

Nadia Akil

Vice Chairperson and CEO

Executive Member of the Board Nomination and Remuneration Committee (BNRC)

Nadia Akil is the Vice Chairperson and CEO of UPAC. Since having been appointed to this position in 2012, she has been responsible for the overall operations of UPAC in Kuwait, including managing its three BOT contracts within the airport. Nadia is also involved in the investment and development of Reem Mall in Abu Dhabi, which is set to become the regions first fully digitized omnichannel offering. Previously, Akil held various positions at Agility, and last served as a Director on Agility's Executive Projects Team. In this role, she concentrated on identifying growth areas, business development opportunities and operational efficiencies. Prior to Agility, Akil was part of the Global Wealth Management Group at Citigroup in London. In 2023, Nadia was selected by Forbes Middle East among the list of the 100 most powerful businesswomen in the Middle East.

Nadia holds a master's degree from Columbia University's School of International and Public Affairs with a concentration in finance and business, and a bachelor's degree from Georgetown University in Washington, D.C. Nadia is also a member of the Young Presidents' Organization (YPO) Kuwait Chapter.

Hasan El Houry

Non-Executive Board Member

Chairman of the Board Risk and Audit Committee (BRAC)

Hassan El Houry is currently the Chairman of Menzies Aviation, the world's largest aviation services Company by number of countries served and the leading service partner to the world's airports and airlines. Hassan was Group CEO of National Aviation Services (NAS) from 2009 and he spearheaded the Company's expansion into Africa, Asia, and the Middle East to become NAS and Menzies an integrated global entity in the name of Menzies. Hassan also is currently Chairman of the Board of Directors of National Real Estate Company (NREC) and Royal Aviation (UPAC subsidiary). In 2014, Hassan was honored by the World Economic Forum in Davos as a Young Global Leader given his experience and contributions in the field of aviation and airport services. Hassan is also a member in the Young Presidents Organization (YPO) and serves as the director of the Wharton Alumni Club in the Middle East. He holds a Master's of Business Administration (MBA) from the University of Pennsylvania's Wharton School of Business and a bachelor's degree from the American University of Beirut.

Zuhair Al Zamel

Non-Executive and Independent Member

Member of the Board Risk and Audit Committee (BRAC)

Chairman of the Board Nomination and Remuneration Committee (BNRC)

Zuhair Al Zamel has been a member of UPAC'S Board of Directors since 2008. Al Zamel held various positions with the Directorate General of Civil Aviation (DGCA) for over 30 years, and most recently as Vice General Director of Civil Aviation for Airport Affairs. He also served as a Consultant for National Aviation Services (NAS) from 2009 until 2015. Zuhair graduated from the University of California, Santa Barbara (UCSB) with a bachelor's degree in Electrical Engineering.

Majed Al Ajeel

Non-Executive Member

Member of the Board Risk and Audit Committee (BRAC)

Majed Al Ajeel has been a UPAC board member since 2005. He has also held various prominent positions most notably as Chairman of Burgan Bank from 2010 until 2022. He also served as the Chairman and Member of the Kuwait Banking Association during that period, and previously held leading positions such as Vice Chairperson and CEO of UPAC and served as a member of the Board of Directors of various other companies. Majed holds both a bachelor's and a master's degree from the Catholic University of America.

CEO Message

Dear Shareholders,

On behalf of UPAC's Board of Directors, I thank our valued shareholders for your continuous support and trust. UPAC's 2022 Annual Report details our financial performance and main accomplishments over the course of the past year.

I'm pleased with our results and with UPAC's performance in 2022. The company's improved numbers are mainly a result of the gradual resumption in air passenger traffic at Kuwait International Airport throughout 2022.

We have been happy to see overall operations and flight volumes returning to pre-COVID levels. UPAC expects to benefit from increases in daily flights and passenger volumes in 2023 and beyond.

In 2022, UPAC reported full-year revenue of KD 9.89 million, up 28.7% from 2021, with a net profit of KD 690 thousand or 1.67 fils per share.

In Kuwait, UPAC operates three major concessions, including the management and operations of Kuwait International Airport's Terminal 1 airport mall, parking and related facilities; the management of real estate and parking facilities at the airport's Sheikh Saad Terminal (T3); and parking and related facilities at Terminal 4, the dedicated Kuwait Airways terminal.

At Kuwait International Airport, we continue to optimize our existing services at both Terminal 1 and Terminal 4.

In Abu Dhabi, I'm pleased to report that Reem Mall opened to the public in February 2023, with about 100 units in operation to date. One of the mall's main anchors, Carrefour Hypermarket, has been open since 2022, so we've been welcoming Abu Dhabi residents and visitors and helping them familiarize themselves with the location and layout of the mall. We expect a openings by more tenants over the coming months.

The mall will be home to a first-of-its-kind, fully integrated omni-channel retail ecosystem with digital, e-commerce and logistics capabilities, bringing together consumer and retailer services to ensure a seamless experience.

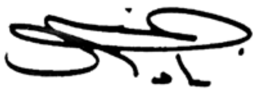
Reem Mall is developed by Al Farwaniya Property Developments, a partnership between three Kuwait-based companies: Agility, UPAC, and the National Real Estate Company (NREC). Together, the three companies have a sound financial base, extensive experience in asset management and commercial real estate development, and a successful track record in mall operations.

Board of Directors
The Board of Directors has recommended no distribution of dividends for the fiscal year ending December 31, 2022. This recommendation is subject to the approval of UPAC's General Assembly.

Corporate Governance
UPAC is committed to transparency and responsible management in order to protect its shareholders' rights and comply with the regulations set by the Capital Markets Authority (CMA). Enclosed is the Company's published Corporate Governance Report for 2022, outlining the various activities and committees in line with the corporate governance framework.

Corporate Social Responsibility
As part of our Corporate Social Responsibility (CSR) program, we have continued to uphold UPAC's commitment to the community through various initiatives led by the company and its employee volunteers. Please refer to our CSR section for further details about our initiatives.

Lastly, I would also like to extend my sincere appreciation to our shareholders, Board of Directors, and the various government authorities for their ongoing support throughout the year.



Nadia Akil
CEO


ريم مول
Reem Mall

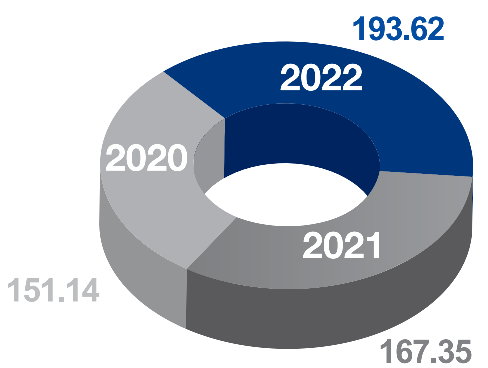
Financial Highlights

Financial Highlights

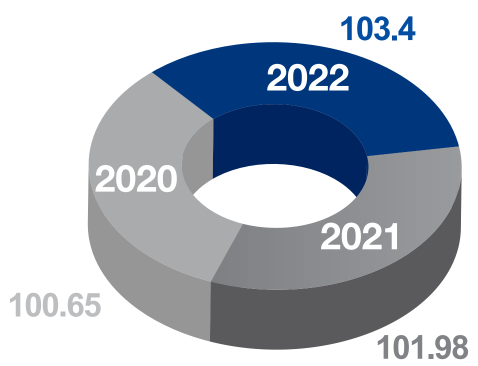
Amount in (KD Mln)

	2020	2021	2022
Revenues	6.73	7.68	9.89
EBITDA	2.59	4.97	3.88
Net Profit	(4.09)	0.92	0.69
EPS (fils)	(13.3)	2.42	1.67
Total Assets	151.14	167.35	193.62
Shareholder's equity	100.65	101.98	103.4

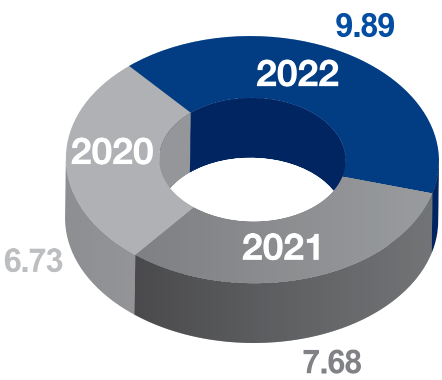
Total Assets (KD Mln)



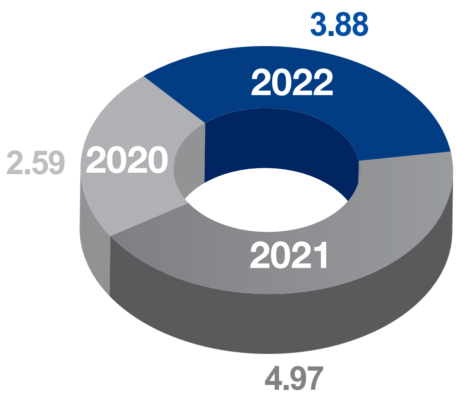
Shareholders Equity (KD Mln)



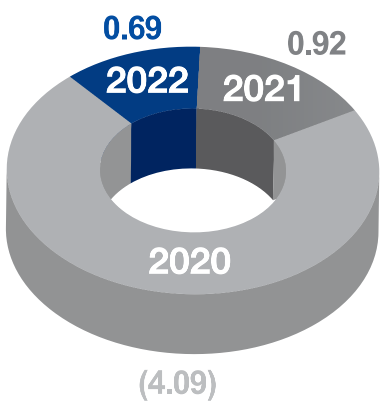
Revenue (KD Mln)



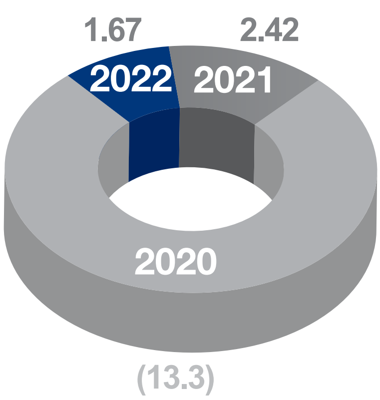
EBITDA (KD Mln)



Net Profit (KD Mln)



EPS (Fils)



Corporate
Social Responsibility

UPAC's Corporate Social Responsibility (CSR) program is an important part of the company's commitment to act ethically and sustainably. Our 2022 CSR framework focused on environmental and community programs, as well as on supporting local and international charities.

UPAC Celebrates Earth Day at Al-Andalus Area

UPAC organized a tree planting initiative with Green Hands Environmental team, a local non-profit organization, in celebration of Earth Day 2022. The initiative themed 'Let's Make it Green' took place in several schools within the Al Andalus and Adailiya areas.
The event participants included volunteers and students, as well as some management personnel from the schools. At the site, the Green Hands Environmental team worked with the volunteers and students on the basics of successful planting.

UPAC's support included the donation of 1,000 plants which were put into the ground, as well as water pipes and special watering connections to be used in the gardens.

UPAC Supports the KRCS's Campaign "Donate to Educate"

UPAC joined forces with the Kuwait Red Crescent Society (KRCS) to support its campaign "Donate to Educate" with the aim of supporting less fortunate students by providing them with the opportunity to gain access to basic education.
Through this campaign, UPAC's employees were able to participate by making cash and non-cash donations such as new school supplies (calculators, school bags, stationary, as well as books, dictionaries, and other related school supplies).

All employee cash contributions made through UPAC were matched dollar for dollar by the company.

Breast Cancer Awareness Campaign

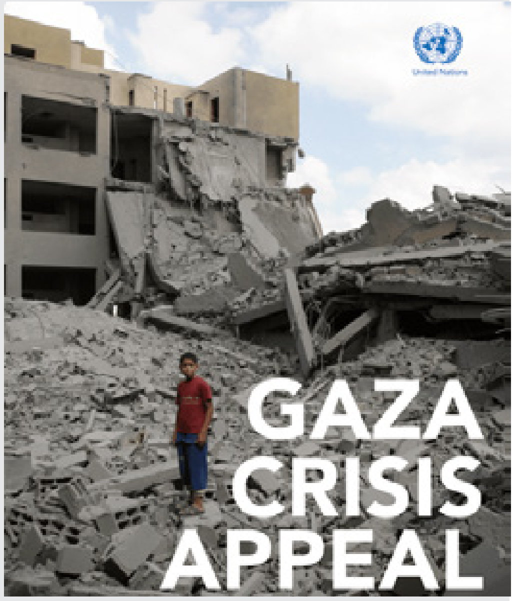
As part of the "Let's Tie One More Ribbon for Breast Cancer" campaign, UPAC employees were offered preferential rates for early screening visits at New Mowasat Hospital, Al Salam International Hospital, and Taiba Hospital. The campaign's goal was to raise awareness about the causes and risk factors associated with breast cancer. The program included education on self-examination, clinical manifestations, early detection, stages of breast cancer, preventive advice, and treatments.

UPAC Celebrates Ramadan with its Employees

In celebration of the Holy month of Ramadan, UPAC organized an Iftar gathering at the Regency Hotel Kuwait for its employees and their families. UPAC employees and families enjoyed the gathering and broke fast together with their colleagues in a Ramadan atmosphere.

UPAC Supports UNRWA's Campaign "Gaza Crisis Appeal"

UPAC joined forces with the United Nations Relief and Works Agency (UNRWA) to support its "Gaza Crisis Appeal" campaign on behalf of Palestinians in Gaza. The campaign provided critical health care, including psychosocial support, food and cash assistance, and construction of desperately needed infrastructure, including schools and shelters and educational services for over 250,000 Palestinian students. Through this campaign, UPAC's employees were able to make cash donations that were matched dollar for dollar by the company.



UPAC Supports UNHCR Campaign in Ukraine

UPAC initiated a 30-day fundraising campaign to support UN High Commission for Refugees (UNHCR) campaign for Ukraine. The campaign provided food, shelter, water, medical care and resettlement assistance to Ukrainian refugees. UNHCR estimated that more than 7 million people had fled Ukraine to neighboring countries as a result of this conflict with Russia.

UPAC employees were able to make cash donations that were matched dollar for dollar by the company.

UPAC Organized Blood Donation Drive with Kuwait Central Blood Bank

For the seventh consecutive year, UPAC organized a blood donation drive in partnership with Kuwait Central Blood Bank. Thirty UPAC employees, as well as various walk-in visitors, donated blood in support of Kuwait Central Blood Bank's campaign. Thirty bags of blood bags were donated to supplement emergency stockpiles at various government hospitals in Kuwait.

Machla Donation During Ramadan

UPAC joined forces with Agility to run a charitable meal distribution program. In coordination with Al Ber Foundation "Nemati", nearly 500 meal boxes were distributed to feed more than 2,500 individuals through a daily Iftar meal program and a Machla donation box distribution. The Machla boxes contained basic food supplies, provided as a gift to cover an entire months' worth of necessary food items to families in need.


RM
ريم مول
Reem Mall

Corporate Governance Report

INTRODUCTION

United Projects for Aviation Services Company KSCP (“UPAC”) is committed to implementing the rules of governance in accordance with the laws and regulations of the regulatory bodies, in particular Book 15 (Corporate Governance) of the Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority (CMA) and regulating securities activities and their amendments.

The Company believes that practices managed within the framework of governance are the basis for achieving the Company›s main objectives, creating sustainable value, enhancing the role of internal control, and activating integrity and transparency in the workplace. In doing so, (“UPAC”) ensures that the governance framework meets the relevant regulatory requirements set by the CMA, and thus maintains trust amongst its shareholders and stakeholders alike.

In the performance of its functions, the Board of Directors supports a number of different committees: the Audit and Risk Committee, the Nomination and Remuneration Committee, as well as the role of Executive Management.

In compliance with the highest standards of transparency and in line with the best practices adopted under the Corporate Governance Framework and its subsequent amendments, the Company has prepared this annual Corporate Governance Report, providing an overview of the corporate governance rules applied in the Company throughout the year 2022.

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Nadia Akil
Vice Chairperson and CEO

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PILLAR 1: CONSTRUCT A BALANCED BOARD COMPOSITION

1.1 BOARD COMPOSITION

United Projects for Aviation Services Company's KSCP ("UPAC" or "Company") Board of Directors is comprised of five members, all of whom have been elected/appointed in line with the applicable provisions of the Company's Memorandum of Association and the Articles of Association of the Company, as well as in conformity to the Companies Law No. 01 of the year 2016 and its Executive Regulations. All members hold the relevant educational qualifications and professional experiences to carry out their responsibilities dutifully and professionally, in addition to being well versed with the relevant corporate laws and regulations. The formation of the relevant Board Committees ensures that the composition of each Committee accurately reflects the experience and educational qualifications of each member in accordance with the allocated tasks and responsibilities of each Committee.

Members of the Board of Directors

Sl.	Name	Capacity	Board Member	Date Elected/Appointed
1	**Tarek Al-Mousa**	Chairman	Non-Executive Member	11 May 2021
2	**Nadia Akil**	Vice Chairperson	Executive Member	11 May 2021
3	**Zuhair Al-Zamel**	Board Member	Independent Member	11 May 2021
4	**Majed Al-Ajeel**	Board Member	Non-Executive Member	11 May 2021
5	**Hassan El-Houry**	Board Member	Non-Executive Member	11 May 2021

The Secretary of the Board of Directors has been reappointed by Board Resolution No. 04/21 dated 27 May 2021 in order to carry out the roles and responsibilities assigned to him.

Educational Qualifications and Experience of the Board Members

Sl.	Name	Educational Qualifications	Experience
1	**TAREK AL-MOUSA** Chairman of the Board of Directors	Bachelor's degree in Mass Media and Sociology from the University of Evansville, Indiana.	As Chairman, Tarek Al Mousa provides leadership to the Board of Directors and acts as a direct liaison between the board and executive management. He also oversees the Company's corporate governance program and aims to protect the interests of investors and stakeholders. In addition, Tarek is also the Vice Chairperson and CEO of the Metal and Recycling Company (MRC). MRC is a waste management Company offering the latest practical and cost-effective solutions to manage the complexities of responsible waste management. Tarek also managed several executive positions within Agility, last serving as the Executive Director of Strategic Programs.

2	**NADIA AKIL** Vice Chairperson of the Board of Directors	Master's degree from New York's Columbia University School of International and Public Affairs, with a concentration in Business and Finance. Bachelor's degree in International Affairs from Georgetown University in Washington D.C.	Nadia Akil is the Vice Chairperson and CEO of UPAC. Since having been appointed to this position in 2012, she has been responsible for the overall operations of UPAC in Kuwait, including managing its three BOT contracts within the airport. Nadia is also involved in the investment and development of Reem Mall in Abu Dhabi, which is set to become the regions first fully digitized omnichannel offering. Previously, Akil held various positions at Agility, and last served as a Director on Agility's Executive Projects Team. In this role, she concentrated on identifying growth areas, business development opportunities and operational efficiencies. Prior to Agility, Akil was part of the Global Wealth Management Group at Citigroup in London. In 2023, Nadia was selected by Forbes Middle East among the list of the 100 most powerful businesswomen in the Middle East.
3	**ZUHAIR AL-ZAMEL** Independent Member	Bachelor's degree in Electrical Engineering from the University of California at Santa Barbara (UCSB) 1974.	Zuhair Al Zamel has been a member of UPAC'S Board of Directors since 2008. Al Zamel held various positions with the Directorate General of Civil Aviation (DGCA) for over 30 years, and most recently as Vice General Director of Civil Aviation for Airport Affairs. He also served as a Consultant for National Aviation Services (NAS) from 2009 until 2015.
4	**MAJED AL-AJEEL** Non-Executive Member	Master's degree in planning and a bachelor's degree in architecture from the Catholic University of America.	Majed Al Ajeel has been a UPAC board member since 2005. He has also held various prominent positions most notably as Chairman of Burgan Bank from 2010until 2022. He also served as the Chairman and Member of the Kuwait Banking Association during that period, and previously held leading positions such as Vice Chairperson and CEO of UPAC and served as a member of the Board of Directors of various other companies.
5	**HASSAN EL-HOURY** Non-Executive Member	Masters of Business Administration (MBA) from the University of Pennsylvania's Wharton School of Business and a bachelor's degree from the American University of Beirut.	Hassan El Houry is currently the Chairman of Menzies Aviation, the world's largest aviation services Company by number of countries served and the leading service partner to the world's airports and airlines. Hassan was Group CEO of National Aviation Services (NAS) from 2009 and he spearheaded the Company's expansion into Africa, Asia, and the Middle East to become NAS and Menzies an integrated global entity in the name of Menzies. Hassan also is currently Chairman of the Board of Directors of National Real Estate Company (NREC) and Royal Aviation (UPAC subsidiary). In 2014, Hassan was honored by the World Economic Forum in Davos as a Young Global Leader given his experience and contributions in the field of aviation and airport services. Hassan is also a member in the Young Presidents Organization (YPO) and serves as the director of the Wharton Alumni Club in the Middle East.

1.2 MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors held a total of six meetings during the course of 2022. All meetings are called for by way of a formal invitation in advance, in order to allow adequate time for members to attend. Each time a meeting is called for, a formal agenda is shared with members along with all necessary supporting documents at least three working days prior to the meeting to allow members sufficient time to review. Board meetings are held when a quorum is met, with at least three members present, otherwise the meeting may be adjourned until a legal quorum is met. The Board Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement. Board meetings are always conducted in line with the Company's Memorandum and Articles of Association as well as in conformity to Companies Law No. 01 of the year 2016 and its Executive Regulations.

Board of Directors Meetings Record during the Year 2022

Name & Capacity	Meeting No. 01/22 held 29 March 2022	Meeting No. 02/22 held 12 May 2022	Meeting No. 03/22 held 10 August 2022	Meeting No. 04/22 held 29 September 2022	Meeting No. 05/22 held 03 November 2022	Meeting No. 06/22 held 27 December 2022	Number of meetings attended in 2022
Tarek Al-Mousa Chairman	√	√	√	√	√	√	6/6
Nadia Akil Vice Chairperson	√	√	√	√	√	√	6/6
Zuhair Al-Zamel Board Member	√	√	√	√	√	√	6/6
Majed Al-Ajeel Board Member	√	√	√	√	√	√	6/6
Hassan El-Houry Board Member	√	√	√	√	√	√	6/6

√ *Attendance*

1.3 REGISTER, MAINTAIN AND COORDINATE BOARD OF DIRECTORS MINUTES OF MEETINGS

Minutes of meetings are organized and recorded within a Company register with applicable serial numbers to mark those meetings during the year. Each meeting records specified relevant details such as the date of the meeting, start and end times, discussion items, deliberations and voting processes on the proposed agenda items. The Board Secretary is responsible for maintaining and updating the Company register in accordance with all relevant Board documentation. The tasks and responsibilities of the Board Secretary are ultimately approved by the Board of Directors.

1.4 THE INDEPENDENT MEMBER'S ACKNOWLEDGMENT OF THE AVAILABILITY OF INDEPENDENCE CONTROLS

The Company's Board of Directors includes an Independent Member, representing 20% of the members of the board of directors. The Nomination and Remuneration Committee has confirmed that the independent board member has met all the conditions and controls of independency that contained in the executive regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and their amendments. Furthermore, the independent member has acknowledged this by virtue of a written acknowledgment that is submitted to the Board of Directors, [a copy of the independent member's acknowledgment is attached within appendix (A) herein].

PILLAR 2: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES

2.1 DUTIES AND RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

In line with the provisions of the Corporate Governance Regulations (including Book 15 of the CMA Executive Regulations - Corporate Governance), the Company has set out in detail the roles and responsibilities governing the conduct of members of the Board of Directors and Executive Management. In addition to this, the Board of Directors has implemented formal documentation to clearly set out in detail those powers granted to Executive Management, and ultimately delegated by the Board of Directors. Below is a list of some of the specific roles and responsibilities allocated to members of the Board of Directors and Executive Management:

Roles and Responsibilities - Board of Directors

- Approve strategic objectives and material plans and policies of the Company.
- Approve annual estimated budgets and interim and annual financial statements.
- Monitor the basic capital expenditures of the Company, ownership and disposal of assets.
- Follow up on Company performance through the meetings of the Board of Directors and follow up with the results of the committees.
- Set performance goals and monitor implementation and overall performance in the Company.
- Ensure the Company's compliance measures through various policies and procedures honoring respective applicable internal bylaws and regulations.
- Verify accuracy and soundness of data and information for disclosure in line with applicable disclosure and transparency policies and regulations.

- Establish effective channels of communication that allow the shareholders of the Company to have regular and periodic access to the Company's financial reports and periodic disclosures.
- Develop and supervise a Corporate Governance system and monitor its effectiveness.
- Follow-up on the performance of each member of the Board of Directors and Executive Management according to Key Performance Indicators (KPIs).
- Formation of the Board Committees amongst the existing Board members and in accordance with the Board Charter setting out the Committee's clear roles and responsibilities and the methodology of supervision by the Board of Directors.
- Ensuring that the policies and regulations adopted by the Company are transparent and clear, allowing for decision making and achieving good governance principles, and separation of powers between the board of directors and executive management.
- Control and supervise the performance of Executive Management and verify the implementation of approved policies and regulations.
- Develop policies and internal regulations to oversee the Company's overall processes and practices.
- Ensure periodic and effective internal control systems are in place at the Company level and its subsidiaries.

Roles and Responsibilities - Chairman of the Board of Directors
- Verify the Board's efficient and timely discussion of all key matters.
- Encourage all members to fully and effectively participate in meetings.
- Represent the Company before third parties pursuant to Articles of Association of the Company.
- Ensure actual communication with shareholders and inform the Board of their opinions.
- Encourage constructive relationships and active participation between the Board of Directors and Executive Management.
- Create a structure which encourages constructive criticism of conflicting views.

Roles and Responsibilities – Executive Management
- Execute the Company's strategic plans, related policies and internal regulations and verify its adequacy and efficiency.
- Implement all internal policies, procedures and regulations of the Company as approved by the Board of Directors.
- Prepare periodical (financial and non-financial) reports concerning the progress achieved within the Company's business.
- Develop an integrated accounting system and ensure that the preparation of financial statements are carried out pursuant to international accounting standards approved by the relevant authority.
- Manage day-to-day operations and manage the Company's resources.
- Actively participate in building and developing an ethical culture inside the Company.
- Develop internal control and risk management systems and verify their adequacy and efficiency.

2.2 BOARD OF DIRECTORS ACHIEVEMENTS DURING THE YEAR

The Company's operations witnessed a steady improvement along with the gradual return of air traffic and the cancellation of all COVID related travel restrictions, which reflected positively on the Company's financial performance during the year 2022.

The following is a summary of the Board's key achievements throughout the year 2022:
- Carrying out the overall roles and responsibilities entrusted to the Board of Directors, covered in the above clause 2.1.
- Updating the Company's digital services in Terminals 1 and 4 of Kuwait International Airport.
- Structuring operational costs and reducing potential liquidity risks.
- Completion of the main construction works at Reem Mall as well as monitoring UPAC's ongoing funding commitment into the project.
- Continued cooperation with the DGCA and other relevant government agencies regarding the gradual increase in airport traffic and ensuring the increase in operational capacity increased in line with the implementation of the overall increase in air traffic flow.

2.3 FORMING SPECIALIZED INDEPENDENT COMMITTEES

Pursuant to the provisions and rules of Book 15 of the CMA Executive Regulations ("Corporate Governance"), the Board of Directors have formed the relevant Committees in order to support and enable Board members to perform their roles and responsibilities in a more effective and informed manner.

A) BOARD RISK AND AUDIT COMMITTEE (BRAC)

Members of the Board Risk and Audit Committee

Name	Capacity	Board Member Classification
Hassan El- Houry	Chairman of the Board Risk and Audit Committee (BRAC)	Non-Executive Member
Zuhair Al-Zamel	Member of the Board Risk and Audit Committee (BRAC)	Independent Member
Majed Al-Ajeel	Member of the Board Risk and Audit Committee (BRAC)	Non-Executive Member

A consolidated Risk and Audit Committee (BRAC) has been established with the approval of the Capital Market Authority (CMA) issued on February 28, 2016. The BRAC performs tasks and responsibilities covering various aspects of risk management and internal audit controls of the Company. The BRAC was formed by way of a resolution of the Board of Directors dated June 28, 2016 for a period of three years renewed periodically, which has recently been renewed following the election/appointment of the Company's Board of Directors on May 2021. The BRAC carries out its tasks and responsibilities as per the Committee Charter, which defines the framework and objectives assigned to the Committee. Furthermore, the BRAC Secretary has been reappointed to carry out the assigned roles.

Board Risk and Audit Committee' Meetings Record during the Year 2022

Name & Capacity	Meeting No. 01/22 held on 29 March 2022	Meeting No. 02/22 held on 12 May 2022	Meeting No. 03/22 held on 10 August 2022	Meeting No. 04/22 held on 03 November 2022	Number of meetings attended in 2022
Hassan El- Houry Chairman of the Board Risk and Audit Committee (BRAC)	√	√	√	√	4/4
Zuhair Al-Zamel Member of the Board Risk and Audit Committee (BRAC)	√	√	√	√	4/4
Majed Al-Ajeel Member of the Board Risk and Audit Committee (BRAC)	√	√	√	√	4/4

√ Attendance

The BRAC held four meetings during the course of 2022, where all meetings are called for in advance by a formal invitation extended by the Committee Chairman, accompanied by the agenda and all documents and information needed to discuss the items on the meeting agenda, enabling members to carry out relevant discussions in order to make the necessary recommendations to the Board of Directors. The BRAC Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement.

Roles and Responsibilities – Board Risk and Audit Committee (BRAC)

- Review annual and interim financial statements and provide recommendations to the Board of Directors prior to their final approval. This is to ensure fairness and transparency of financial statements and reports.
- Recommend to the Board of Directors the appointment and reappointment of the Company's financial auditors, determine their fees and ensure their independence.
- Monitor the work of the Company's financial auditors and confirm that their services to the Company are solely confined to the provision of audit services.
- Review of the financial auditors reports and following up on any observations.
- Ensure proper accounting procedures are applied.
- Evaluate the efficiency of the Company's internal control systems and the preparation of the Audit Committee Report.
- Supervise the Company's internal audit department function, in order to ensure its effectiveness in performing the operations and tasks assigned to it by the Board of Directors.
- Recommend to the Board of Directors the appointment and reappointment of the Company's internal auditors.
- Review and approve the internal audit plans proposed by the internal auditor and provide comments thereon.
- Review and approve the Internal Audit Report schedule as proposed by the Internal Auditor and provide technical supervision in reviewing results of the Internal Audit Report.
- Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard.
- Ensure that the Company complies with relevant laws, policies, regulations and instructions.

- Prepare and review risk management strategies, policies and procedures and provide recommendations to the Board of Directors prior to its final approval and verify the implementation of such strategies and policies in line with the nature and volume of the Company activities.
- Ensure availability of adequate resources and risk management systems.
- Evaluate systems and mechanisms for identifying, measuring and monitoring various types of risks that the Company may face.
- Assist the Board of Directors in identifying and evaluating the Company's appetite for acceptable risk levels and ensure the Company operates within those parameters following approval by the Board of Directors.
- Verify independence of the risk management employees from activities that result in subjecting the Company to certain risks.
- Ensure that risk management employees obtain a full understanding of the risks surrounding the Company and ensure transparency in the awareness of potential risks.
- Raise periodical reports to the Board of Directors concerning the nature of risks facing the Company.

Achievements of the Board Risk and Audit Committee (BRAC)

- Reviewed annual and interim financial statements prior to submission to the Board of Directors and provided recommendations.
- Reviewed the auditor's observations on the Company's financial statements.
- Ensure proper accounting procedures are applied.
- Recommend to the Board of Directors the reappointment of the Company's internal auditors and approval of the audit plan.
- Ensure that internal audit reports are issued periodically in accordance with the approved audit plan.
- Regular meetings with the Company's internal auditor at all BRAC meetings.
- Study and analyze internal audit reports and follow up the actions taken towards the observations contained in those reports.
- Ensure the effective performance of the internal auditor of the Company and assess its performance.
- Ensure the Company's compliance with relevant laws and regulations.
- Follow up on the decisions issued by the regulatory bodies and any further amendments that may be made to the laws and regulations in force.
- Ensure that all regulatory requirements are met.
- Ensure the adequacy of internal controls applied in the Company.
- Reviewed the independent Internal Controls Report (ICR) and followed up on the observations raised in that report.
- Recommend to the Board of Directors the reappointment of the Company's financial auditor and ensure their independence and fulfillment of all conditions and requirements.
- Meet periodically with the Company's financial auditor to discuss and review the interim and annual financial statements.
- Recommend to the Board of Directors the reappointment of an independent risk management unit and ensuring its independence and compliance with all requirements.
- Recommended the adoption of effective risk management systems and procedures.
- Study and analyze risk reports, presenting risks and expressing opinions and recommending them to the Board of Directors.
- Recommend the appointment of an independent auditing firm to review and evaluate the internal control systems applied in the Company and to issue a report in this regard.
- Recommend the appointment of another additional independent audit firm to review and evaluate the performance and systems of the internal audit department/unit for the previous three years.

B) BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

Members of the Board Nomination and Remuneration Committee

Name	Capacity	Board Member Classification
Zuhair Al-Zamel	Chairman of the Board Nomination and Remuneration Committee (BNRC)	Independent Member
Tarek Al-Mousa	Member of the Board Nomination and Remuneration Committee (BNRC)	Non-Executive Member
Nadia Akil	Member of the Board Nomination and Remuneration Committee (BNRC)	Executive Member

The Board Nomination and Remuneration Committee (BNRC) was formed pursuant to a Board Resolution dated 10 November 2016 for a period of three years renewed periodically, which has recently been renewed following the election/appointment of the Company's Board of Directors on May 2021. Members of the BNRC carry out the responsibilities of the Committee assigned to them as per the Committee Charter, which defines the framework and tasks assigned to it. Furthermore, the BNRC Secretary has been reappointed to carry out the assigned roles.

Board Nomination and Remuneration Committee' Meetings Record during the Year 2022

Name & Capacity	Meeting No. 01/22 held on 29 March 2022	Number of meetings attended in 2022
Zuhair Al-Zamel Chairman of the Board Nomination and Remuneration Committee (BNRC)	√	1/1
Tarek Al-Mousa Member of the Board Nomination and Remuneration Committee (BNRC)	√	1/1
Nadia Akil Member of the Board Nomination and Remuneration Committee (BNRC)	√	1/1

√ *Attendance*

The BNRC held one meeting during the course of 2022, where all meetings are called for in advance by a formal invitation extended by the Committee Chairman, accompanied by the agenda and all documents and information needed to discuss the items on the meeting agenda, enabling members to carry out relevant discussions in order to make the necessary recommendations to the Board of Directors. The BNRC Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement.

Roles and Responsibilities – Board Nomination and Remuneration Committee (BNRC)

- Recommend the nomination or re-nomination of Board Members and members of Executive Management.
- Develop a clear remuneration policy for Board Members and Executive Management, with an annual review of the required skill necessary for Board membership and executive positions as required.
- Develop clear job descriptions for Executive Members, Non-Executive Members and the Independent Member.
- Ensure the existing Independent Members autonomy on the Board of Directors and his capacity to serve as an Independent Member.
- Prepare the Remunerations Report, including the total remunerations granted to Board Members, Executive Management and Managers, whether they are amounts, benefits or advantages, and whatever nature and name.

Achievements of the Board Nominations and Remunerations Committee (BNRC)

- The Committee prepared the remunerations report including the total remunerations granted to members of the Board of Directors (if any), its committees, Executive Management and Managers, for the financial year ending 31st December 2022, in accordance with the requirements contained in the Module fifteenth - Corporate Governance - of Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and their amendments.
- Recommend to refrain from allocating payment of the Board of Directors remuneration for the fiscal year ending on 31st December 2022, as a result of the BOD's recommendation not to distribute dividends for the aforementioned fiscal year, which requires the BRAC's recommendation to do so, pursuant to the provisions of article no. (198) of the Companies Law No. 1 for the year 2016, and to submit its recommendation to the Board of Directors to take the necessary actions in this regard.
- Review of the existing skills and competencies required for the members of the Board of Directors and Executive Management to ensure the Company's proper management.
- Review of the existing Independent Members autonomy on the Board of Directors and their capacity to serve as an Independent Member, based on the criteria and definition of an Independent Board Member as covered within the provisions of Book 15 - Corporate Governance - of the Executive Regulations of Law No. 7 for year 2010 and their amendments.
- Recommend the distribution of an annual compensation to two members of the Audit and Risk Management Committee in recognition of their efforts and consulting services provided throughout the year 2022.

2.4 PROVIDES MEMBERS OF THE BOARD OF DIRECTORS WITH ACCURATE AND TIMELY INFORMATION AND DATA

The Company is committed to ensure complete accessibility and availability of information to the Board. To further validate this purpose, the Board of Directors has jointly approved a policy to clearly outline the roles and responsibilities of the Board Secretary. Such tasks include the scheduling of meetings, circulation of agenda items, maintaining and updating the Company register with all relevant documentation, and the accurate and timely provision of information at least three working days prior to scheduled meetings. In addition, the Board Secretary also ensures that minutes are recorded during the course of the meetings and formally signed off by members once they are in agreement.

PILLAR 3: SELECTION OF QUALIFIED CANDIDATES FOR THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

3.1 FORMATION OF THE BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

The Board of Directors has formed a Board Nomination and Remuneration Committee (BNRC). The BNRC ensures that it satisfies all the requirements that need to be met by its committee members. Further, all relevant BNRC information has been detailed within Pillar 2 of this report - Board Nomination and Remuneration Committee (BNRC) - as mentioned in the above section 2.3.

3.2 REPORT ON THE BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND ACTING MANAGERS REMUNERATION

The Company has established a remuneration policy in line with the Corporate Governance related regulations issued by the Capital Markets Authority and other related regulatory requirements. The remuneration is determined based on the achievement of Key Performance Indicators (KPI's) toward the Company's overall strategy. This includes financial indicators (of the Company and various departments) and non-financial indicators (specific to the Company's activities and operations) at Company level.

In compliance with the highest standards of transparency and in line with the best practices adopted under the Corporate Governance Framework and its subsequent amendments, the Company's Nominations and Remunerations Committee has prepared the annual Remunerations Report, including the total remuneration packages granted to members of the Board of Directors, Executive Management, and acting managers to be presented to the general assembly of the Company. Such remuneration of 2022 is outlined as follows:

Board of Directors Remuneration

Board Members remuneration is recommended by the BNRC and presented to the Company's Annual General Assembly (AGM) for approval. As set out in the Company's Articles of Association, total remunerations shall not exceed 10% of the net profits of the Company following any relevant deductions. The Board of Directors has recommended refraining from paying any remuneration to the members of the board of directors for the fiscal year ending on 31st December 2022.

Committees Remuneration

The BNRC has recommended to grant the two Members of BRAC committee an allowance with a total value of KD 10,000 (ten thousand Kuwaiti Dinars) in recognition of their efforts and advisory services provided throughout the year 2022, in accordance with the following details:

Capacity in Committee	Board Member Classification	Kind of Reward	Reward Value (KD)
Member of the Board Risk and Audit Committee (BRAC)	Independent Member	Allowance for committee efforts and advisory services provided throughout the year	5,000
Member of the Board Risk and Audit Committee (BRAC)	Non-Executive Member	Allowance for committee efforts and advisory services provided throughout the year	5,000

Executive Management Remuneration

Remuneration granted to Executive Management and acting Managers includes two main components - fixed and variable remuneration. Fixed benefits are related to those benefits assigned to Executive Management and acting Managers per their associated roles and responsibilities, whereas variable benefits are those awarded for the successful performance and achievement of specific objectives. Both Human Resources and members of the BNRC are involved in setting the above benefits and reviewing them annually, note that the Nominations and Remunerations Committee did not detect any deviations from the approved remuneration policy during the year. The below table sets out the total fixed and variable benefits granted to the top five members of Executive Management and acting Managers for year 2022:

Remunerations and benefits through the Company							
Number of Members	**Fixed remuneration and benefits (KD)**						**Total variable remuneration and benefits (KD)**
	Total monthly salaries during the year	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration and accruals
Five Members	166,282	7,502	6,542	15,425	5,317	12,000	204,061

3.3 COMPLIANCE WITH THE REMUNERATION POLICY APPROVED BY THE BOARD OF DIRECTORS

The Nomination and Remuneration Committee confirms that there are no other remunerations granted, either directly or indirectly, other than those mentioned above. The committee also seeks to monitor any fundamental deviations with regards to the approved remuneration policy.

PILLAR 4: ENSURE THE INTEGRITY OF FINANCIAL REPORTING

4.1 SOUNDNESS AND INTEGRITY OF FINANCIAL REPORTING

Executive Management is mindful of its responsibilities to the Board of Directors with regards to the significance of accounting policies and to the preparation of fair and sound financial statements. The Executive Management has prepared and presented a written undertaking to the Board of Directors confirming that financial statements have been prepared with integrity and that all financial aspects of the Company are in line with approved international accounting standards. The Board of Directors also undertakes to ensure the integrity of financial reporting to the Company's shareholders. The financial statements and reports issued by the Company are prepared as follows:

- Annual Financial Statements.
- Interim Financial Statements.
- Annual and interim financial disclosure forms.
- Annual and periodical reports related to the Company's activity and the results of its operations.

4.2 AUDIT COMMITTEE

The Board of Directors has formed an Audit Committee which ensures that it satisfies all the requirements that need to be met by its committee members. Further, all relevant Audit Committee information has been detailed within Pillar 2 of this report - Board Risk and Audit Committee (BRAC) - as mentioned in the above section 2.3.

4.3 RECOMMENDATIONS OF THE BOARD AUDIT COMMITTEE AND RESOLUTIONS OF THE BOARD OF DIRECTORS

Although the Board Audit Committee is ultimately formed and approved by the Board of Directors, members of the Audit Committee carry out their tasks and responsibilities as per the Audit Committee Charter and provide a recommendation to the Board of Directors for final approval. Given that Committee members have been chosen specifically to meet the requirements set out under the Audit Committee Charter, all recommendations provided to the Board of Directors are typically considered to be sound and effective. During the course of 2022, the Committee did not report any contradictions or inconsistencies between Committee recommendations presented to the Board and the resolutions of the Board of Directors passed through the year.

4.4 SAFEGUARDING THE INDEPENDENCE AND IMPARTIALITY OF THE EXTERNAL AUDITOR

Based on feedback and recommendations provided by members of the Audit Committee through their nomination of the external auditor and the review of their performance, the Company hereby ensures the full independence and impartiality of its external auditors. Furthermore, the Company confirms that the external auditors have been engaged only for the provision of such services required to be performed under the external audit profession, the auditors also provide a declaration to ensure their complete independence and pledge to follow general international auditing standards.

PILLAR 5: APPLYING SOUND SYSTEMS OF RISK MANAGEMENT AND INTERNAL AUDIT

5.1 ESTABLISH AN INDEPENDENT UNIT FOR RISK MANAGEMENT

The Risk Management Function is one of the most important objectives and a main component for the Board of Directors. Enabling a process whereby risks can be identified and categorized at different risk levels is a key contributing factor to the overall success of the Company. The continuous development and effective application of Risk Management measures is vital to ensure effective and stable continuity within the Company's activities. Given the relevance of the overall Risk Management Function, the Board of Directors has therefore approved and endorsed an independent unit for the Risk Management Function. The Risk Management Function is responsible for reviewing the risk management strategies and assessing the Company's overall risk management policies and procedures. The function seeks to assist the Board in defining certain risks that may face the Company as well as in assessing acceptable risk levels. This Risk Management Function ultimately reports to the Board Risk Committee, which in turn provides their final recommendations to the Board of Directors.

5.2 RISK MANAGEMENT COMMITTEE

The Board of Directors has formed a Risk Committee which ensures that it satisfies all the requirements that need to be met by its committee members. Further, all relevant Risk Committee information has been detailed within Pillar 2 of this report – Board Risk and Audit Committee (BRAC) – as mentioned in the above section 2.3.

5.3 INTERNAL AUDIT SYSTEMS AND CONTROLS

The Board is fully responsible for the implementation of the Company's Internal Audit Systems and Controls. Internal policies have been developed in order to ensure set standards and internal control processes are followed and adopted by the Company to enhance the soundness, accuracy and efficiency of its operations. The Internal Audit Function is responsible for reviewing and monitoring a set of policies and regulations and for preparing the necessary reports for submission to the Internal Audit Committee. The Internal Audit Committee will in turn review the reports for final submission to the Board of Directors for approval. The main internal controls that have been implemented in the Company to date are as follows:

- Delegation of authorities - limitation and allocation of certain powers and responsibilities.
- Separation of certain tasks and the prevention of potential conflicts of interest.
- Dual inspection and controls for further verifications.
- Dual signatures for further verifications.
- Establishment of approved policies and procedures for the Company.
- Implementation of modern automated technological systems for the enhancement of internal controls within the Company (via- Transfora - group automated internal platform).

In addition, and as per Corporate Governance Requirements, a fully certified and independent auditor (Grant Thornton - Al-Qatami, Al-Aiban & Partners) was appointed to carry out the evaluation and review of the Company's Internal Control Systems and for the preparation of the Internal Control Review Report (ICR), which is to be submitted to the CMA within 90 days of the end of the fiscal year 2022. Further, the Company is working to appoint a separate independent auditor (Baker Tilly) to conduct the review and evaluation of the Internal Audit Function for the previous three years and issue the Quality Assurance Review Report (QAR) to be provided to both the Board of Directors and Board Risk and Audit Committee, in accordance with Article 6-9 of Book 15 - Corporate Governance - of the Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and their amendments.

5.4 INDEPENDENT UNIT FOR INTERNAL AUDIT AND CONTROLS

On 22 June 2016, UPAC obtained approval from the CMA in order to outsource the Internal Audit Function to its Parent Company. The Parent currently enjoys a fully established, independent and integrated system of Internal Audit and Controls, tasked with carrying out audits in accordance with plans set and approved by the Board of Directors. The Internal Audit Department is responsible for setting the internal audit schedule, conducting the actual internal audit, and providing final reports and recommendations to the Board Audit Committee for recommendation to the Board of Directors for final approval.

PILLAR 6: PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

6.1 CODE OF CONDUCT AND BUSINESS ETHICS

The Company has developed a Code of Conduct that has been ratified and approved by the Board of Directors. The Code is intended to serve as a guiding principle for Members of the Board and Executive Management with regards to proper and ethical business conduct. The Code of Conduct covers the professional standards and ethical values applicable to clients, suppliers and stakeholders alike, both internally and externally. It also serves to enhance and uphold the qualities of integrity, impartiality and discretion. Board members are thus expected to exercise good judgment, to ensure the interests, safety and welfare of customers, employees and other stakeholders are met and to maintain a cooperative, efficient, and positive work environment. The Code also establishes a certain set of standards in dealing with issues related to insider trading, dealings with related parties, conflicts of interest and whistle blowing procedures. Furthermore, all Board Members, Executive Management and employees are expected to abide by the Code of Conduct and apply the highest of ethical standards during the performance of their duties and responsibilities.

6.2 MITIGATE CONFLICTS OF INTEREST

The Board of Directors adopted a Conflict of Interest Policy aimed at ensuring that appropriate procedures are applied to identify and deal effectively with cases of conflicts of interest. It also ensures that the Board of Directors deals with conflicts of interest that exist and that all decisions are taken in the best interests of the Company. This policy is an integral part of the Company's full commitment to integrity and fairness in dealing with stakeholders. The policy also highlights the concept of conflict of interest, the basis of dealing with them, how to manage conflicts of interest through established examples, parties whose interests might conflict with the Company, and the roles of the Board of Directors, Executive Management and internal audit in this respect. The policy also reviewed procedures for dealing with conflicts of interest and disclosure mechanisms.

PILLAR 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURES

7.1 ACCURATE AND TRANSPARENT DISCLOSURES

Accurate disclosures form the basic foundation for tracking the Company's activities and for evaluating performance, whether this is carried out by current shareholders, potential investors or the general public. Given the importance of information accuracy and transparency, the Board of Directors has developed a Disclosure Policy outlining standard rules and procedures to be applied when disclosing pertinent information. The Disclosure Policy has been developed in compliance with the provisions of the Corporate Governance laws as well as in conformity to Book 10 - Disclosure and Transparency - of the Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and their amendments. The Company also reviews the applicable disclosure policy periodically and makes sure to include any amendments issued by the regulatory authorities therein.

7.2 DISCLOSURE RECORDS FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND MANAGERS

The Company maintains a detailed disclosure register which includes and monitors all disclosure records for Board Members, Executive Management and Managers as well as all other information related to bonuses, salaries, incentives and other benefits, and it is made available for viewing by the concerned parties. The Company regularly reviews and updates the disclosure data and records in order to accurately reflect the related parties position.

7.3 FORMATION OF AN INVESTOR RELATIONS UNIT

The Company established a separate Investor Relations Unit in charge of establishing and monitoring disclosures. This Unit is responsible for the overall provision of necessary data, information and reports for the benefit of current shareholders as well as potential investors. The Investor Relations Unit enjoys a certain level of independence, and this allows it to perform its duties and provide accurate and timely information through well-established disclosure systems including the corporate website.

7.4 DEVELOPMENT OF A SOLID INFORMATION TECHNOLOGY FRAMEWORK

The Company has developed solid IT systems in order to support its disclosure process, as well as to enhance further communication with its shareholders, investors and stakeholders. The corporate website has been developed in line with Corporate Governance regulations and has thus dedicated a specific tab covering 'Investor Relations. This section covers all previous and current disclosures and provides a breadth of information and other pertinent data to enable potential investors and shareholders to exercise their rights, and accurately evaluate the Company's performance.

PILLAR 8: PROTECTION OF SHAREHOLDERS RIGHTS

8.1 PROTECTION OF SHAREHOLDERS RIGHTS

The Company's Articles of Association and internal policies and procedures include the necessary controls required for the protection of shareholders rights and to ensure their fair and equal treatment, in line with applicable laws and regulatory instructions issued in this regard.

8.2 SHAREHOLDERS INFORMATION

For the accurate and continuous follow up of shareholders data, the Company formed a special register "The Shareholders Register" to be maintained and updated with the specified clearing agency – the Kuwait Clearing Company (KCC). This register includes names of shareholders, nationalities and details of the number of shares they hold. The KCC also maintains any amendments to the existing data and records in its register. Data incorporated in the shareholders register is treated with the greatest degree of protection and confidentiality in line with applicable laws and regulations.

8.3 PARTICIPATE AND VOTE IN THE COMPANY'S GENERAL ASSEMBLIES

Participation in the Annual General Meeting (AGM) is one of the basic rights for all shareholders and thus shareholders are encouraged to attend and actively participate in these annual meetings. In order to ensure the full extent of shareholder participation, certain measures are taken by the Company when calling for its AGM including extending formal notices calling for its date, time and location, as well as sharing agenda items for discussion, as per applicable laws and regulations.

PILLAR 9: RECOGNIZE THE ROLES OF STAKEHOLDERS

9.1 PROTECTION AND RECOGNITION OF STAKEHOLDERS RIGHTS

The Company has developed policies to govern the roles of stakeholders. Such policies include the adoption of certain procedures implemented to ensure the protection and recognition of stakeholders rights. These include fair and equal treatment without prejudice in line with applicable laws, and pursuant to the relevant executive regulations and regulatory controls.

9.2 STAKEHOLDERS INCENTIVES TO PARTICIPATE IN TRACKING THE VARIOUS ACTIVITIES OF THE COMPANY

Stakeholders are encouraged to stay updated and participate in monitoring the different activities of the Company through Company news, applicable disclosures, and facilitating their reporting to the Company's board of directors in safe ways about any improper practices they may be exposed to by the Company, if any.

PILLAR 10: ENCOURAGE AND ENHANCE PERFORMANCE IMPROVEMENT

10.1 CONTINUOUS TRAINING PROGRAMS

One of the key elements of Corporate Governance includes implementing policies to ensure that Members of the Board and Executive Management obtain access to continuous training programs and are up to date with the latest business developments. A qualified and functioning Board is one of the key components of a successful business, and for this reason the Company has developed certain procedures to allow Board Members and Executive Management to attend relevant training programs in order to further enhance and strengthen their experience, administrative and organizational skills. The following are some of the courses attended by Board Members and Executive Management during the course of 2022:

- Conflicts of Interest.
- Cyber Security.
- Antitrust & Competition Law.

10.2 EVALUATION THE PERFORMANCE OF THE BOARD MEMBERS AND EXECUTIVE MANAGEMENT

In order to continually monitor and ensure applicability, the Company has worked on developing certain mechanisms for the evaluation of the performance of the Members of the Board of Directors, Committees and Executive Management. Performance evaluations are carried out regularly against a set of agreed key performance indicators related to the Company's strategic objectives. Such indicators reflect the performance of Members of the Board and Executive Management and seek to identify areas of strengths and deficiencies to tailor future training needs accordingly.

10.3 BOARD OF DIRECTORS EFFORT TOWARDS "VALUE CREATION"

Board Members performance should promote value creation principles among their employees. The Company has worked to adopt certain modern technology systems for the evaluation of employees performance under the 'Management by Objectives system. Such evaluation is performed at the beginning of the year, setting clear targets and objectives for each employee based on his / her job requirements, with progress monitored throughout the year. The Company believes in the importance of encouraging employees to act productively and to continue to enhance performance levels and has thus established a process whereby employee efforts are recognized and appreciated.

PILLAR 11: IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

11.1 BALANCE BETWEEN THE OBJECTIVES OF THE COMPANY AND OF SOCIETY

Corporate Social Responsibility (CSR) forms an important part of the Company's commitment to act ethically and to contribute to the achievement of sustainable development. An internal policy based on the importance of CSR has thus been developed with the aim of highlighting social responsibility and creating a balance between the objectives of the Company and those of society.

11.2 THE COMPANY'S EFFORTS WITHIN CORPORATE SOCIAL RESPONSIBILITY

Various policies and mechanisms have been adopted during the year to highlight the efforts of the Company within the CSR framework. UPAC is keen to support social responsibility measures in accordance with its strategic objectives and responsibilities, be it through environmental support, charitable events or other acts supporting the local community.

For further information about the different social responsibility initiatives sponsored by the Company, please visit our website at *www.upac.com.kw*

APPENDIX (A) - DECLARATION OF THE INDEPENDENT BOARD MEMBER

DECLARATION OF THE INDEPENDENT BOARD MEMBER
UNITED PROJECTS FOR AVIATION SERVICES COMPANY KSCP

UPAC
UNITED PROJECTS CO.
FOR AVIATION SERVICES | K.S.C.P

Kuwait on 01st January 2023

I, the undersigned, Zuhair Abdul-Mohsen Musallam Al-Zamel, a Kuwaiti national, and I hold civil ID No. in my capacity as an independent member of the Board of Directors of United Projects for Aviation Services Company K.S.C.P. (the **"Company"**) that I am fully aware of the independency conditions contained in the Executive Regulations of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and their amendments, as I acknowledge the following:

1. I do not own 5% or more of the Company's shares, and I do not represent any of the shareholders who own 5% or more of the Company's share capital.
2. I have no first-degree relationship with any of the Company's members of the board of directors or the executive management or any of the group entities or the main parties related to the Company or its subsidiaries.
3. I am not a member of the board of directors of any of the group companies.
4. I am not an employee of the Company or of any of the group entities, or of any of the Company's stakeholders.
5. I am not an employee of a corporate/ legal person who has controlling stakes in the Company.
6. I have no interest or relationship with the Company that may affect my independence, and I declare that I am aware of the duties and responsibilities of the independent member, and I also undertake to inform the Board of Directors immediately of any change that may affect my independence in accordance with the above criteria.

Acknowledged by,

Name: Zuhair Abdul-Mohsen Musallam Al-Zamel

Signature: ____________________

Date: 01st January 2023

Independent Auditor’s Report

Ernst & Young
Al Aiban, Al Osaimi & Partners
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Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of United Projects Company For Aviation Services 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 2022, and the consolidated statement of income, 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 the summary of 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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.

Valuation of a financing arrangement
The Group has started financing a related party since 2014 for constructing and developing a mega commercial mall in UAE ("Project") through a complex financing arrangement. As the terms of the agreement are critical for assessing the classification of this arrangement and the valuation of amounts due from an associate, the management evaluates these terms. The financing arrangement is classified as a debt instrument at fair value through profit or loss. The management assessed the fair value of the financing arrangement based on the fair value of the Project at the reporting date using the discounted cash flow method that requires the use of various unobservable inputs. Given the significance of the Project and the complexity and estimation uncertainty involved in the valuation of the financing arrangement, we have identified the valuation of the financing arrangement as a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Valuation of a financing arrangement (continued)
As part of our audit procedures, among others, we have evaluated the terms of various agreements entered by the Group in relation to this Project to assess the appropriateness of the accounting treatment, classification and disclosure of all aspects of the financing arrangements to date. We have tested a sample of the material contributions made during the year to finance the Project by tracing them to supporting evidence and comparing it with the contractual terms of the agreements. For the valuation of the Project, we involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology used and challenging of the assumptions and judgements applied by management. We evaluated the adequacy of the Group's disclosures concerning the loan to an associate in Note 15 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities in Note 22.

Other information included in the Group's 2022 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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 the IFRS, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.

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working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, 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 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 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

Kuwait

Consolidated Financial Statements

UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. AND SUBSIDIARIES

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
Revenues	5	**9,885,715**	7,681,241
Operating costs		**(1,202,025)**	(1,119,624)
GROSS PROFIT		**8,683,690**	6,561,617
General and administrative expenses		**(1,678,921)**	(1,373,053)
Salaries and employee benefits		**(1,186,511)**	(1,154,654)
Share of results of an associate	8	**(2,010,723)**	(129,787)
Other income	6	**74,703**	1,066,775
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		**3,882,238**	4,970,898
Depreciation		**(23,493)**	(28,231)
Amortisation	9	**(1,847,871)**	(2,013,495)
Profit (loss) before interest and taxation ("EBIT")		**2,010,874**	2,929,172
Interest income		**46,096**	24,260
Finance cost		**(1,333,582)**	(2,017,355)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		**723,388**	936,077
Contribution to KFAS		**(5,957)**	(2,708)
NLST		**(19,111)**	(12,205)
Zakat		**(5,801)**	(4,882)
PROFIT FOR THE YEAR		**692,519**	916,282
Attributable to:			
Equity holders of the Parent Company		**630,971**	914,230
Non-controlling interest	4	**61,548**	2,052
		692,519	916,282
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**1.67 Fils**	2.42 Fils

The attached notes 1 to 22 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHESIVE INCOME
For the year ended 31 December 2022

	2022 *KD*	*2021* *KD*
Profit for the year	**692,519**	916,282
Other comprehensive income (loss):		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustment	**52,726**	(48,914)
Share of other comprehensive income of an associate	**740,977**	458,919
Other comprehensive income for the year	**793,703**	410,005
Total comprehensive income for the year	**1,486,222**	1,326,287
Attributable to:		
Equity holders of the Parent Company	**1,424,674**	1,324,235
Non-controlling interests	**61,548**	2,052
Total comprehensive income for the year	**1,486,222**	1,326,287

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022 KD*	*2021 KD*
ASSETS			
Non-current assets			
Property and equipment		**9,362**	30,765
Intangible assets	9	**1,319,445**	3,167,316
Investment in an associate	8	**3,680,659**	4,897,679
Loan to an associate	15	**181,485,131**	152,477,649
		186,494,597	160,573,409
Current assets			
Accounts receivable and other assets	10	**2,655,618**	2,386,697
Cash and cash equivalents	11	**4,472,185**	4,385,489
		7,127,803	6,772,186
TOTAL ASSETS		**193,622,400**	**167,345,595**
EQUITY AND LIABILITIES			
Equity			
Share capital	12 (a)	**38,250,000**	38,250,000
Share premium	12 (a)	**48,605,000**	48,605,000
Statutory reserve	12 (b)	**7,159,646**	7,093,461
Treasury shares	13	**(1,544,594)**	(1,544,594)
Other reserve		**139,023**	(601,954)
Foreign currency translation reserve		**31,113**	(21,613)
Retained earnings		**10,760,060**	10,195,274
Equity attributable to equity holders of the Parent Company		**103,400,248**	101,975,574
Non-controlling interest	4	**988,950**	927,402
Total equity		**104,389,198**	102,902,976
Non-current liabilities			
Loans and borrowings	16	**-**	33,635,382
Accounts payable and other liabilities	14	**906,519**	5,787,273
Employees' end of service benefits		**747,167**	652,313
		1,653,686	40,074,968
Current liabilities			
Accounts payable and other liabilities	14	**87,579,516**	24,367,651
		87,579,516	24,367,651
Total liabilities		**89,233,202**	64,442,619
TOTAL EQUITY AND LIABILITIES		**193,622,400**	167,345,595

Tarek Ibrahim Mohammad Al Mousa
Chairman

Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 22 form part of these consolidated financial statements.

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST and Zakat		723,388	936,077
Adjustments for:			
Depreciation		23,493	28,231
Amortisation	9	1,847,871	2,013,495
Provision for employees' end of service benefits		112,608	97,186
Share of results of an associate	8	2,010,723	129,787
Interest income		(46,096)	(24,260)
Net allowances for (reversal of) expected credit losses	10	144,130	(503,842)
Finance cost		1,333,582	2,017,355
		6,149,699	4,694,029
Working capital adjustments:			
Accounts receivable and other assets		(416,784)	1,378,742
Accounts payable and other liabilities		(2,963,566)	(738,600)
		2,769,349	5,334,171
Employees' end of service benefits paid		(17,754)	(41,968)
Taxes paid		(218,489)	-
Net cash flows from operating activities		2,533,106	5,292,203
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,090)	(2,616)
Additions to intangible assets	9	-	(20,230)
Loan to an associate	15	(29,007,482)	(16,243,924)
Interest income received		49,823	19,704
Net cash flows used in investing activities		(28,959,749)	(16,247,066)
FINANCING ACTIVITIES			
Net movement of amount due to a related party		29,224,800	16,386,093
Repayments of loans and borrowings		(1,560,203)	(1,480,000)
Finance cost paid		(1,151,258)	(1,378,827)
Net cash flows from financing activities		26,513,339	13,527,266
NET INCREASE IN CASH AND CASH EQUIVALENTS		86,696	2,572,403
Cash and cash equivalents as at 1 January		4,385,489	1,813,086
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	11	4,472,185	4,385,489

The attached notes 1 to 22 form part of these consolidated financial statements.

United Projects Company for Aviation Services K.S.C.P. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company									
	Share Capital KD	*Share premium KD*	*Statutory reserve KD*	*Treasury shares KD*	*Other reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interest KD*	*Total KD*
As at 1 January 2022	38,250,000	48,605,000	7,093,461	(1,544,594)	(601,954)	(21,613)	10,195,274	101,975,574	927,402	102,902,976
Profit for the year	-	-	-	-	-	-	630,971	630,971	61,548	692,519
Other comprehensive income for the year	-	-	-	-	740,977	52,726	-	793,703	-	793,703
Total comprehensive income for the year	-	-	-	-	740,977	52,726	630,971	1,424,674	61,548	1,486,222
Transfer to statutory reserve	-	-	66,185	-	-	-	(66,185)	-	-	-
As at 31 December 2022	**38,250,000**	**48,605,000**	**7,159,646**	**(1,544,594)**	**139,023**	**31,113**	**10,760,060**	**103,400,248**	**988,950**	**104,389,198**
As at 1 January 2021	38,250,000	48,605,000	7,000,058	(1,544,594)	(1,060,873)	27,301	9,374,447	100,651,339	925,350	101,576,689
Profit for the year	-	-	-	-	-	-	914,230	914,230	2,052	916,282
Other comprehensive income (loss) for the year	-	-	-	-	458,919	(48,914)	-	410,005	-	410,005
Total comprehensive income (loss) for the year	-	-	-	-	458,919	(48,914)	914,230	1,324,235	2,052	1,326,287
Transfer to statutory reserve	-	-	93,403	-	-	-	(93,403)	-	-	-
As at 31 December 2021	38,250,000	48,605,000	7,093,461	(1,544,594)	(601,954)	(21,613)	10,195,274	101,975,574	927,402	102,902,976

The attached notes 1 to 22 form part of these consolidated financial statements.

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2022

1 ACTIVITIES AND CORPORATE INFORMATION

The consolidated financial statements of the United Projects Company for Aviation Services K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 were authorised for issue by the board of directors on 29 March 2023. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

United Projects Company for Aviation Services K.S.C.P. (the “Parent Company”) was established as a closed Kuwaiti shareholding company on 4 December 2000. The Parent Company’s registered address is Kuwait International Airport, 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 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.
- Management and development of real estate activities including real estate consultancy services;
- General trading of construction materials, equipment and real estate;
- To own, lease and rent out land and real estate properties;
- Sharing in executing the infrastructure for the housing, trading and industrial projects and manage real estate facilities under BOT regulations.

The Parent Company is listed on Boursa Kuwait and is a subsidiary of Agility Public Warehousing Company K.S.C.P (the “Ultimate Parent Company”), which is also listed on Boursa Kuwait.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for loan to an associate that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (“KD”), which is also the functional of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations
Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2022

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

Amendments to IAS 8: Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2022

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. 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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results 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(s) 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. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. 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 components of equity, while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognized at fair value.

The consolidated financial statements of the Group include:

Name of the company	*Country of incorporation*	*Principal activity*	Effective % equity interest *2022*	*2021*
Royal Aviation Company K.S.C. (Closed) ("RAC")	Kuwait	Management and services	**66.57**	66.57
UPAC United Real Estate Company K.S.C.C. ("UREC")	Kuwait	Real estate and property development	**100.00**	100.00
Al Arfaj Real Estate Company K.S.C. (Closed) ("Arfaj")[1]	Kuwait	Real estate and property development	**100.00**	100.00
Held indirectly through Arfaj				
Arfaj Limited	United Arab Emirates	Real estate and property development	**100.00**	100.00

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2022

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised either at a point in time or overtime, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in rental revenue in the consolidated statement of income due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Services income
The Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning and security), as well as other services such as aircraft ground handling. The consideration charged for these services includes fees charged based on a percentage and reimbursement of certain expenses incurred. These services are separately invoiced.

Interest income
Interest income is recognised at it accrues using the effective interest rate method.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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 income. Contingent rents are recognised as revenue in the period in which they are earned.

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

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

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)
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.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets are as follows:

Commercial complex of Kuwait International Airport	20 years
Kuwait Airways Terminal-4 Parking project	5 years
Sheikh Saa'd Terminal*	12 years

*Fully amortised as at 31 December 2020

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life 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 are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Service concession arrangements
The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided.

Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

When concession grantor or the delegating authority requires fixed payments in return for the right to use of pre-existing infrastructure, the Group applies the following in respect to the fixed payments:
- the recognition of a liability equal to the present value of payments over the term of the concession arrangement;
- offset by the recognition of an intangible asset, where the concession arrangement is recognized using the "intangible asset model", representing the right to charge users of the public service.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

Investment in an associate
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 over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
The Group's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an 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 statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, 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 the consolidated statement of income 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 the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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 the consolidated statement of income.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Financial assets
Initial recognition and measurement
The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cashflow characteristics of the financial assets.

Business model assessment
The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. 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 a number of observable factors. The information considered includes:
- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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)
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

'Interest' is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cashflows that are solely payment of principal and interest. In such cases, the financial asset is measured at fair value through profit or loss.

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

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of income when the asset is derecognised, modified or impaired.

Financial assets carried at fair value through profit or loss (FVTPL)
Financial assets in this category are those assets, which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of income when the right to the payment has been established.

Loan to an associate is classified as financial assets carried at FVTPL since the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

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 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 risk and rewards. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. 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 assets 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.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities
Initial recognition and measurement
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.

The Group's financial liabilities include loans and borrowings and accounts payable and other liabilities.

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

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR).

Accounts payable and other liabilities
Liabilities are recognised for amounts the Group obligated to pay in the future for goods or services received, whether billed by the supplier or not.

Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of income.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) 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, discounted at an approximation of the 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.

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).

For rent receivables and other assets, the Group applies a simplified approach in calculating ECLs. 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.

Fair value measurement
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 by the Group.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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 at fair value 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.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as 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. 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. When the Group expects some or all of a provision to be reimbursed, 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 statement of income net of any reimbursement.

Contingencies
Contingent liabilities are not recognised on the consolidated statement of financial position. They are disclosed in the consolidated financial statement unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised on the consolidated statement of financial position, but disclosed in the consolidated financial statement when an inflow of economic benefits is probable.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Any realised losses are recognised in treasury share reserve or share premium reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the 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 treasury shares reserve account. No cash dividends are distributed 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.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to all its 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.

Further, with respect to its national employees, the Group makes contributions to the 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.

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the profit or loss.

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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant judgments
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

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3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant judgments (continued)

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.

Equity accounting of entities in which the Group holds less than 20% holding
The Group assessed that the voting rights in Naples Topco Limited ("Naples") are dominant factor in deciding who has significant influence on entity. The Group has a representation on Naples's board of directors and the Group's consent is required for all major operational decisions. Accordingly, the Group has considered the significant influence achieved through absolute voting rights is sufficient to give it the practical ability to direct the relevant activities of the investee company, despite the fact they have less than 20% holding.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related to the consolidated financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates
The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost
The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL 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. Actual results may differ from these estimates.

Useful lives of intangible assets
Management of the Group assigns useful lives to intangible assets based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates.

Fair value measurement of financial assets
When the fair values of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of unobservable inputs to reflect market conditions. Changes in assumptions about these factors could affect the reported fair value of financial assets.

Impairment of intangible assets
A decline in the value of intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of intangible assets (continued)
Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

4 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name of the company	*Country of incorporation*	*Principal activity*	*Ownership %* 2022	*Ownership %* 2021
Royal Aviation Company K.S.C. (Closed) ("RAC")	Kuwait	Management and services	33.43	33.43

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	RAC 2022 KD	*RAC 2021 KD*
Summarised statement of income for the year ended 31 December:		
Revenues	1,284,541	948,516
Operating costs	(827,774)	(767,902)
Net operating expenses	(350,675)	(251,031)
Other income	1,138	120
EBITDA	107,230	(70,297)
Interest income	78,722	76,435
Zakat	(1,843)	-
Profit for the year	184,109	6,138
Total comprehensive profit for year	184,109	6,138
Attributable to non-controlling interests	61,548	2,052

Summarised statement of financial position as at 31 December:

	RAC 2022 KD	*RAC 2021 KD*
Intangible asset and other non-current assets (non-current)	2,703,447	2,624,075
Accounts receivable and other assets and cash and cash equivalents (current)	1,620,128	1,241,885
Employees' end of service benefits (non-current)	(51,001)	(58,198)
Accounts payable and other liabilities (current)	(1,314,474)	(1,033,771)
Total equity	2,958,100	2,773,991
Attributable to:		
Equity holders of Parent Company	1,969,150	1,846,589
Non-controlling interest	988,950	927,402

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4 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised cash flow information for year ended 31 December:

	RAC 2022 KD	RAC 2021 KD
Operating cash flows	283,364	325,447
Investing cash flows	(650)	-
Net increase in cash and cash equivalents	282,714	325,447

5 REVENUE

5.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's rental and services revenue:

	2022 KD	2021 KD
Rental revenue	5,067,253	5,005,954
Service revenue	4,818,462	2,675,287
	9,885,715	7,681,241

5.2 Contract balances

	2022 KD	2021 KD
Trade receivables (Note 10)	4,065,381	3,809,085
Contract liabilities (Note 14)	1,358,208	3,168,998

6 OTHER INCOME

	2022 KD	2021 KD
Reversal of expected credit losses on counter fees receivable	-	569,800
Additional counter fees income received from Directorate General of Civil Aviation	-	484,223
Other income	74,703	12,752
	74,703	1,066,775

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7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year (excluding treasury shares).

The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2022 KD	*2021 KD*
Profit for the year attributable to equity holders of the Parent Company	**630,971**	914,230
Weighted average number of paid up shares	**382,500,000**	382,500,000
Weighted average number of treasury shares	**(4,824,307)**	(4,824,307)
Weighted average number of shares, less treasury shares, outstanding during the year	**377,675,693**	377,675,693
Basic and diluted earnings per share	**1.67 Fils**	2.42 Fils

As there are no dilutive instruments outstanding, basic and diluted profit per share are identical. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

8 INVESTMENT IN AN ASSOCIATE

The Group has following investment in associate:

Name of company	*Country of incorporation*	*Effective interest in equity*		*Year- end*	*Principal activities*
		2022	*2021*		
Naples Topco Limited	UAE	**9.47%**	9.47%	31 December	Real estate activities

Summarised financial information of the associate is as follows:

	2022 KD	*2021 KD*
Non-current assets	**391,615,992**	365,965,540
Current assets	**43,612,790**	5,817,987
Non-current liabilities	**(371,305,439)**	(317,023,670)
Current liabilities	**(25,056,828)**	(3,042,022)
Equity	**38,866,515**	51,717,835
Proportion of the Group's ownership	**9.47%**	9.47%
Carrying value of the investment in associate	**3,680,659**	4,897,679
Loss for the year	**(21,232,555)**	(1,370,507)
Group's share in the loss for the year	**(2,010,723)**	(129,787)
Other comprehensive income for the year	**7,824,467**	4,846,030
Group's share in other comprehensive income	**740,977**	458,919

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8 INVESTMENT IN AN ASSOCIATE (continued)

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

	2022 KD	*2021 KD*
As at 1 January	**4,897,679**	4,617,461
Share of results	**(2,010,723)**	(129,787)
Share of other comprehensive income	**740,977**	458,919
Foreign currency translation adjustment	**52,726**	(48,914)
As at 31 December	**3,680,659**	4,897,679

9 INTANGIBLE ASSETS

Intangible assets represent cost incurred on the construction of the Sheikh Saa'd Terminal, car park and commercial complex of Kuwait International Airport and Kuwait Airways Terminal 4 car park in accordance with Built-Operate-Transfer (BOT) agreement with the government of Kuwait and have useful life and amortised as disclosed in Note 2.4.

	2022 KD	*2021 KD*
Cost:		
As at 1 January	**46,753,085**	46,732,855
Additions:	**-**	20,230
As at 31 December	**46,753,085**	46,753,085
Amortisation:		
As at 1 January	**43,585,769**	41,572,274
Charge for the year	**1,847,871**	2,013,495
As at 31 December	**45,433,640**	43,585,769
Net carrying amount:		
As at 31 December	**1,319,445**	3,167,316

Commercial complex of Kuwait International Airport
Included in intangible assets is an amount of KD 256,615 (31 December 2021: KD 1,123,382) that represents the carrying value of Build-Operate-Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire in 2023.

Kuwait Airways Terminal-4 Parking project
On 25 November 2018, the Group entered into a service concession arrangement with Directorate General of Civil Aviation of Kuwait (the "Grantor") to operate a pre-existing parking and related facilities at the new Kuwait Airways dedicated Terminal 4 ("Facilities").

Under the terms of the agreement, the Group will operate and make facilities available to the public for a period of five years, starting from 9 February 2019.

As at 31 December 2022, intangible assets include KD 1,062,830 (2021: KD 2,043,934) relating to this arrangement and liability of KD 3,715,218 (2021: KD 3,828,099) which represents the minimum fixed payments that will be paid by the Group to the Grantor over the term of the concession arrangement, discounted at a rate of 6%.

Sheikh Saa'd Terminal
On 17 May 2020, the Group received an extension to operate the terminal for another nine months from 28 June 2020 until 27 December 2020. On 24 January 2021, the Group received a proposal for another extension of the contract until 27 June 2021 and has subsequently since received a further proposal for an additional extension until 27 March 2022 and on 10 February 2022, the group received another proposal with an extension until 27 June 2023. The Group is currently undergoing discussions with the DGCA with regards to scope, fees, and components to facilitate further extension.

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10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2022 KD	*2021 KD*
Rent receivables	1,912,597	1,907,273
Counter fee receivable	2,152,784	1,901,812
	4,065,381	3,809,085
Other receivables*	329,980	317,549
Prepayments	182,120	176,506
Allowance for expected credit losses	(1,921,863)	(1,916,443)
	2,655,618	2,386,697

* This includes advance to suppliers which have been partially provided for.

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

	2022 KD	*2021 KD*
As at 1 January	1,916,443	2,420,285
Charge for the year	144,130	242,799
Reversal	-	(569,800)
Amounts written off	(138,710)	(176,841)
As at 31 December	1,921,863	1,916,443

11 CASH AND CASH EQUIVALENTS

	2022 KD	*2021 KD*
Cash and bank balances	1,540,038	2,233,001
Short-term deposits	2,932,147	2,152,488
Cash and cash equivalents	4,472,185	4,385,489

Short term deposits are denominated in KD and carry an effective interest rate of 3.35% (2021: 1.22%) per annum with maturity less than three months from reporting date.

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12 SHARE CAPITAL AND RESERVES

a) Share capital and share premium

	2022 KD	*2021 KD*
Issued and paid-up share capital of 382,500,000 shares of 100 fils each (2021: 382,500,000 shares of 100 fils each)	**38,250,000**	38,250,000

	2022 Shares	*2021 Shares*
Authorised shares		
Ordinary shares of 100 fils each	**1,132,500,000**	1,132,500,000
Ordinary shares issued and fully paid		
As at 31 December 2022 and 2021	**382,500,000**	382,500,000

b) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors.

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.

13 TREASURY SHARES

	2022	*2021*
Number of treasury shares	**4,824,307**	4,824,307
Percentage of issued shares (%)	**1%**	1%
Market value (KD)	**984,159**	1,196,428
Cost (KD)	**1,544,594**	1,544,594

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

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14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022 *KD*	*2021* *KD*
Accounts payable	**1,734,395**	1,369,730
Amount due to related parties (Note 15)	**78,874,514**	17,991,668
Accrued expenses	**1,247,725**	2,155,620
Contract liabilities*	**1,358,208**	3,168,998
Provision for staff leave	**116,000**	126,610
Tenant refundable deposits	**1,442,482**	1,514,754
Other payables	**3,712,711**	3,827,544
	88,486,035	30,154,924

	2022 *KD*	*2021* *KD*
Classified as:		
Non-current liabilities	**906,519**	5,787,273
Current liabilities	**87,579,516**	24,367,651
	88,486,035	30,154,924

* Contract liabilities constitute rent received in advance by the Group from tenants in accordance with rental agreements beyond 12 months of the reporting period amounting to nil (2021: KD 279,332).

The accounts payable and other liabilities balances above are non-interest bearing and are settled throughout the financial year except for rent received in advance as mentioned above.

For explanation on the Group's liquidity risk management process, refer to Note 20.3.

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15 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, associate, 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.

Transactions and balances and with related parties are as follows:

	Ultimate parent company KD	*Other related parties KD*	***2022 KD***	*2021 KD*
Consolidated statement of income:				
Revenues	-	38,728	**38,728**	10,969
Operating costs	-	(917,831)	**(917,831)**	(320,311)
General and administrative expenses	-	(44,331)	**(44,331)**	(51,765)
Finance cost	(108,256)	-	**(108,256)**	(173,898)

	Ultimate parent company KD	*Other related parties KD*	***2022 KD***	*2021 KD*
Consolidated statement of financial position:				
Amounts due to related parties	(78,654,949)	(219,565)	**(78,874,514)**	(17,991,668)
Loan to an associate*	-	181,485,131	**181,485,131**	152,477,649

Amounts due from / to related parties are interest free and are receivable / payable on demand. Other related parties include entities under common control, except for loan to an associate.

* Loan to an associate represents amounts advanced by a subsidiary of the Group towards the construction and development of a commercial mall in UAE ("Project"). This amount bears compounded annual interest rates as per the loan agreement and carries with it the option, at the sole discretion of the Parent Company, to be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets. The Group has contributed KD 6,580,301 (2021: KD 6,580,301) in the equity of the Project out of the Group's capital commitment. The Ultimate Parent Company is also invested in the equity of the Project.

In response to the economic impact of Covid-19, the Parent Company suspended the interest and has not recognised interest income of KD 14,340,580 for the year ended 31 December 2022 (31 December 2021: KD 13,028,263). The interest is suspended temporarily, and the Parent Company retains the right to reinstate it in the future.

Movement in loan to an associate during the year is as follows:

	2022 KD	*2021 KD*
As at 1 January	**152,477,649**	136,233,725
Additional contribution	**29,007,482**	16,243,924
	181,485,131	152,477,649

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15 RELATED PARTY DISCLOSURES (continued)

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

	2022 KD	*2021 KD*
Short-term benefits	**382,140**	436,234
Employees' end of service benefits	**34,988**	36,022
	417,128	472,256

16 LOANS AND BORROWINGS

	2022 KD	*2021 KD*
Borrowing facility	**-**	33,635,382

During the year ended 31 December 2017, the Parent Company signed a syndicated loan agreement consisting of two facilities with a local bank for an amount of KD 50,100,000 to finance the construction, development of a commercial mall in UAE, the Project (Note 15), and for working capital requirements of the Parent Company. During the year, the Parent Company has fully settled this facility.

17 COMMITMENTS AND CONTINGENCIES

Capital commitments
The Shaikh Saad Terminal, car park and commercial complex of Kuwait International Airport and Kuwait Airways Terminal-4 Parking project (Note 9) are constructed in accordance with service concession agreement. The payments for the future periods are as follows:

	2022 KD	*2021 KD*
Within one year	**419,044**	800,235
After one year but no later than five years	**83,809**	337,352
	502,853	1,137,587

Contingencies
As at 31 December 2022, the Group had contingent liabilities, amounting to KD 1,050,245 (2021: KD 850,245), in respect of bank guarantees arising in the ordinary course of business.

18 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

At the Board of Directors meeting held on 29 March 2023, the directors proposed not to distribute cash dividends for the year ended 31 December 2022 (31 December 2021: Nil), which is subject to approval by the shareholders at the Annual General Meeting of the Parent Company. The directors also recommended no Board of Directors' remuneration (2021: KD Nil).

The shareholders of the Parent Company at the AGM held on 25 May 2022 approved the consolidated financial statements for the year ended 31 December 2021. No dividends were declared by the shareholders at the AGM.

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19 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, taxation is managed on a Group basis and is not allocated to operating segments.

For management purposes, the Group is organised in two operating segments: i) Investments: consists of investing in reem mall and surplus funds in investment portfolios. ii) Service operations: consists of managing projects and providing airplane ground and cleaning services and other service facilities.

	Investments		*Services operations*		*Total*	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*	***2022 KD***	*2021 KD*
Segment revenues	**46,090**	24,260	**9,960,424**	8,748,016	**10,006,514**	8,772,276
Segment profit (loss)	**(3,196,426)**	(1,966,267)	**3,919,814**	2,902,344	**723,388**	936,077
Unallocated expenses					**(30,869)**	(19,795)
Profit for the year					**692,519**	916,282
Salaries and employees benefits	**-**	-	**(1,186,511)**	(1,154,654)	**(1,186,511)**	(1,154,654)
Share of result of an associate	**(2,010,723)**	(129,787)	**-**	-	**(2,010,723)**	(129,787)
Depreciation and amortisation	**-**	-	**(1,871,364)**	(2,041,726)	**(1,871,364)**	(2,041,726)
Assets	**188,097,937**	159,656,679	**5,524,463**	7,688,916	**193,622,400**	167,345,595
Liabilities	**77,686,071**	50,021,475	**11,547,131**	14,421,144	**89,233,202**	64,442,619

	Investments		*Services operations*		*Total*	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*	***2022 KD***	*2021 KD*
Other disclosures						
Intangible assets additions	**-**	-	**-**	20,230	**-**	20,230
Property and equipment additions	**-**	-	**2,090**	2,616	**2,090**	2,616
Investment in an associate	**3,680,659**	4,897,679	**-**	-	**3,680,659**	4,897,679

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise accounts payable and other liabilities and loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable and other assets and cash and cash equivalents that derive directly from its operations, including loan to an associate which is represents the Group's investment in the Project (Note 15).

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk and interest rate risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD.

The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its loan to an associate in foreign currency.

Foreign currency sensitivity
The following tables demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit for the year due to changes in the fair value of monetary assets and liabilities is as follows:

Currency	***Change in exchange rate***	*Effect on profit or loss for the year*	
		2022	*2021*
		KD	*KD*
AED	+5%	**9,137,528**	7,596,517

An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loan to an associate and its term deposits.

The Group's policy is to manage its interest cost by availing competitive credit facilities from local financial institutions and constantly monitoring interest rate fluctuations.

Interest rate sensitivity
A reasonably possible change of 100 basis points in interest rates at the reporting date would have resulted in a increase / decrease in profit for the year by KD 1,844,173 (2021: increase / decrease profit for the year by KD 1,209,947). This analysis assumes that all other variables, remain constant.

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily rental income receivables), including cash at banks and other financial instruments.

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements. The credit risk on bank balances and term deposits is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2022 KD	*2021 KD*
Cash and cash equivalents*	**4,465,538**	4,357,607
Accounts receivable and other assets**	**1,979,493**	1,730,131
Loan to an associate	**181,485,131**	152,477,649
	187,930,162	158,565,387

* Cash and cash equivalents exclude cash on hand
**Accounts receivable and other assets exclude prepayments and certain balances in other receivables.

Concentration of maximum exposure to credit risk
As at 31 December 2022, the Group had 1 customer (2021: 1 customer) that owed the Group KD 1,489,259 (2021: KD 1,238,287) and accounted for approximately 56% (2021: 52%) of accounts receivable and other assets. This concentration arises predominantly from transactions with a government entity, which the Group considers as a customer with low credit risk.

Trade receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group does not hold collateral as security against accounts receivable. Tenant refundable deposits are considered integral part of rent receivables and considered in the calculation of impairment. At 31 December 2022, 12% (2021: 14%) of the Groups rent receivable are covered by refundable deposits. These credit enhancements obtained by the Group resulted in a decrease in the ECL as at 31 December.

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Credit risk (continued)

Trade receivables (continued)

The following table shows about the credit risk exposure on the Group's rent receivable assets using a provision matrix:

	Trade receivables				
	Past due but not impaired				
	1-30 days KD	*31-60 days KD*	*61-90 days KD*	*Over 90 days KD*	*Total KD*
2022					
Expected credit loss rate	**24%**	**23%**	**18%**	**52%**	**47%**
Estimated gross carrying amount at default	**417,388**	**217,255**	**77,977**	**3,352,761**	**4,065,381**
Estimated credit loss	**98,427**	**49,900**	**13,982**	**1,759,554**	**1,921,863**
Net amount	**318,961**	**167,355**	**63,995**	**1,593,207**	**2,143,518**

	Trade receivables				
	Past due but not impaired				
	1-30 days KD	*31-60 days KD*	*61-90 days KD*	*Over 90 days KD*	*Total KD*
2021					
Expected credit loss rate	25%	25%	12%	53%	50%
Estimated gross carrying amount at default	232,822	112,622	27,377	3,436,264	3,809,085
Estimated credit loss	58,678	28,437	3,164	1,826,164	1,916,443
Net amount	174,144	84,185	24,213	1,610,100	1,892,642

20.3 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

2022	***On demand KD***	***Within 3 months KD***	***3 - 12 months KD***	***More than 12 months KD***	***Total KD***
Accounts payable and other liabilities*	**80,690,049**	**616,127**	**4,964,406**	**916,595**	**87,187,177**
	80,690,049	**616,127**	**4,964,406**	**916,595**	**87,187,177**

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Liquidity risk (continued)

2021	*On demand KD*	*Within 3 months KD*	*3 - 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and other liabilities*	2,078,984	514,271	20,827,715	3,721,601	27,142,571
Loans and borrowings	-	-	1,480,292	35,020,274	36,500,566
	2,078,984	514,271	22,308,007	38,741,875	63,643,137

*Account payables and other liabilities exclude contract liabilities.

The Group increased its authorized share capital in the prior year and plans to hold an additional share capital increase to raise funds and meet its liquidity requirements. Alternatively, the Group receives support from the Ultimate Parent Company, as well, on a regular basis. Amounts due to the related parties will not be called upon unless the Parent Company has funds to settle these obligations.

The management has access to a wide variety of funding and continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that as at 31 December 2022, liquidity position of the Group is stable and its existing funding resources, will be sufficient to satisfy its liquidity requirements.

21 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 and maximize shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, transact with treasury shares, issue new shares, or sell assets to reduce debt. Capital comprises equity attributable to the Parent Company, excluding statutory reserve and measured at KD 96,240,602 as at 31 December 2022 (2021: KD 94,882,113).

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of accounts receivables and other assets, cash and cash equivalents and loan to an associate. Financial liabilities consist of loans and borrowings, accounts payables and other liabilities excluding rent received in advance. The management assesses that the carrying amount of financial instruments is a reasonable approximation of fair value except for loan to an associate.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

31 December 2022	***As at 1 January KD***	***Total gains recognised in profit or loss KD***	***Net (sales) and purchases KD***	***At 31 December KD***
Loan to an associate	**152,477,649**	**-**	**29,007,482**	**181,485,131**

31 December 2021	*As at 1 January KD*	*Total gains recognised in profit or loss KD*	*Net (sales) and purchases KD*	*At 31 December KD*
Loan to an associate	136,233,725	-	16,243,924	152,477,649

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22 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation
The debt instrument has been valued based on the residual land value of the investee's major asset ("Project"), using the discounted cash flow method.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	Inputs		Change	Sensitivity of the input to fair value	
	2022	*2021*		*2022 KD*	*2021 KD*
Exit yield	**7%**	7.5%	**+ 0.5%**	**(17,836,435)**	(13,351,454)
			- 0.5%	**20,580,502**	15,258,804
Discount rate	**9%-10%**	9%-10%	**+ 0.5%**	**(15,384,382)**	(13,319,576)
			- 0.5%	**16,093,407**	13,918,184

Significant increases (decreases) in estimated exit yield and discount rate in isolation would result in a significantly higher (lower) fair value of the project.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated.

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