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

ANNUAL REPORT 2019

TABLE OF CONTENTS

Company Profile

United Projects for Aviation Services Co. (UPAC), is a leading full-service 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 global leading logistics provider and the largest logistics company in the Middle East.

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.

In 2015, UPAC signed an agreement to partner in the development of Abu Dhabi's Reem Mall, a $1.2 billion mega mall covering 2.9 million square feet, set out to become a major retail, leisure, and entertainment destination once completed. Development of Reem Mall is well underway with construction moving at a steady pace.

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.

Discovery Mall

Discovery Mall offers a host of educational, cultural, and entertainment activities that are geared towards children and the youth segment in Kuwait. UPAC manages the commercial retail space within the mall and currently maintains a high utilization rate.

Reem Mall

Reem Mall is an upcoming retail, leisure, dining and entertainment destination in Abu Dhabi, comprised of 450 stores and food and beverage outlets, spread over 2.9 million square feet in the Najmat District of Reem Island. The mall will offer a wide range of education attractions and family-focused entertainment such as Snow Park Abu Dhabi. Reem Mall embraces the heritage of the UAE and the localized uniqueness of Abu Dhabi, whilst providing a world class experience and a personalized customer journey, supported by the latest assisted technology.


TERMINAL 4 KUWAIT AIRWAYS
مبنى الركاب 4 الخطوط الجوية الكويتية

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 Chairman 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

Member of the Board Nomination and Remuneration Committee (BNRC)

Nadia Akil is the Vice Chairperson and CEO of UPAC, and is responsible for the overall operations of UPAC. In her leadership role she has revitalized the company's internal structure and functional operations by driving business development initiatives and optimizing the operation. She joined UPAC in 2012 after holding various senior positions within Agility's Investments Group and Corporate Development team. She also currently serves as Vice Chairperson of UPAC's subsidiary, Royal Aviation. Prior to Agility, Akil was part of the Global Wealth Management Group at Citigroup in London. 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 the Board of Directors of National Real Estate Company (NREC) and Royal Aviation (UPAC subsidiary). He is also the Group CEO of National Aviation Services (NAS), the fastest growing aviation services provider in the Middle East, Africa and South Asia. In 2014, Hassan El Houry 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 in the Wharton Alumni Club in the Middle East. El Houry 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

Chairperson of the Board Nomination and Remuneration Committee (BNRC)

Member of the Board Risk and Audit Committee (BRAC)

Zuhair Al Zamel has been a member of UPAC'S Board of Directors since 2008. He 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 is the Chairperson of Burgan Bank and has held this position since 2010. He also serves as the Chairperson of the Kuwait Banking Association. Prior to 2012, held the position of Vice Chairperson and CEO of UPAC. Majed holds both a bachelor's and a master's degree from the Catholic University of America.

Vice Chairperson and 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 2019 Annual Report details our financial performance and main accomplishments achieved during the financial year of 2019.

2019 has been a relatively stable yet challenging year, our airport operations have undergone a few changes following the shift earlier in the year of passenger traffic to their dedicated airline terminals at Kuwait International Airport. In February 2019, UPAC launched its parking operations at Terminal 4 (the dedicated Kuwait Airways terminal), and although a new startup operation, we have been able to generate additional revenue streams and partially offset the overall business impact caused by these changes.

In 2019, UPAC recorded a net profit of KD 8.95 million, compared to KD 9.75 million in 2018. UPAC revenue amounted to KD 13.42 million in 2019 compared to KD 13.72 million in 2018.

The Company currently operates four major projects in Kuwait, and one in Abu Dhabi currently under development. UPAC manages the operations at Kuwait International Airport's main Terminal 1 including the management of real estate at the airport mall, parking and related facilities, in addition to the management of parking facilities at the airport's Terminal 4, as well as Sheikh Saad Terminal and Discovery Mall in Kuwait City.

At the Kuwait International Airport, we are currently working on introducing and implementing new digital services and automated parking and payment features for customers at both Terminal 1 and at Terminal 4. Our aim is to enhance our customers' experience with smooth and quick access when travelling or visiting the airport mall.

Reem Mall, our mega $1.2bn project, is progressing well with construction moving ahead at a stable pace. The Mall will feature a complete omni-channel ecosystem with fully enabled digital, ecommerce and logistics capabilities, and be home to a unique mix of retail, leisure and dining experiences strategically located in the heart of Abu Dhabi.

We look forward to continue to drive operational efficiencies and enhance customer service levels, while also working towards increasing UPAC's portfolio both locally and within the region.

Board of Directors

During February 2019, UPAC increased its issued and paid-up capital by KD 3,275,000 divided into 32,750,000 ordinary shares, with a total value of KD 18,012,500 including the issuance premium. The capital increase is equivalent to an increase of approximately 25% of the issued and paid up capital at that time, which facilitate funding of our operations and investments in new ventures, particularly Reem Mall in Abu Dhabi.

The Board of Directors has recommended not to distribute dividends for the fiscal year ending on 31 December 2019, for the purpose of strengthening the Company's financial position and covering its expansion plans namely in terms of its ongoing investment in the Reem Mall project in Abu Dhabi. This recommendation shall be subject to the final approval of the Company's General Assembly.

Reem Mall

Reem Mall is set to redefine the retail and entertainment landscape in the UAE capital. Featuring a complete omni-channel ecosystem experience and a sophisticated digital innovation program paving the way for the future of retail, Reem Mall is set to become a unique destination in the heart of downtown Abu Dhabi.

Covering 2.9 million square feet and valued at $1.2 billion, the Mall is set to be an icon for the retail and leisure industry of Abu Dhabi and the larger UAE. The mall will feature Snow Abu Dhabi operated by Majid Al Futtaim. The10,000 m^2 multi-faceted snow-play destination will emulate an enchanted world with a wide range of activities spread across several distinct zones, offering snowy activities to family members of all ages. Reem Mall will offer 450 stores including restaurants, the largest hypermarket in the capital, in addition to more unique entertainment and edutainment features.

Construction is moving ahead at a stable pace, as 350,000 m^3 of concrete have been set in place, along with 140,000 m^3 of blockwork and 10,000 tons of steel. Fabrication is progressing in areas such as Snow Park plant rooms, link bridges, and the cinema. Moreover, escalators and elevators continue to be installed with over 50 per cent of vertical transportation equipment currently installed on site. Fit out works have commenced with ceilings, lobbies, granite flooring, plant rooms and others all in progress.

The Mall is strategically located in one of the most vibrant and growing cities in the MENA region. Its proximity to downtown, ample parking, modern high quality design and complete offering truly place this mall in a class of its own. Positioned as a regional – and global – retail pioneer, Reem Mall will completely transform the shopping experience as we know it, connecting consumers with retailers in new ways, and fine-tuning the interaction between them.

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

Corporate Governance

UPAC is committed to uphold the rules of transparency and responsible management in order to protect its shareholders' rights and in compliance with the regulations set by the Capital Markets Authority (CMA). Enclosed is the Company's published Corporate Governance Report, 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 and continue to contribute to these efforts through various initiatives led by the company and its volunteers. UPAC's CSR projects in 2019 included two blood donation campaigns in collaboration with the Kuwait Central Blood Bank, distribution of Iftar meals to underprivileged families during the Holy month of Ramadan, organized activities for children from Kuwait's orphanage in coordination with the Ministry of Social Affairs and Labor, and mentoring students through INJAZ Kuwait, among other similar CSR initiatives. Please refer to our CSR section for further details on these initiatives.

Lastly, I would also like to extend my sincere appreciation to our Shareholders, Board of Directors, and the Capital Markets Authority for their ongoing support throughout the year.

Nadia Akil
Vice Chairperson and CEO

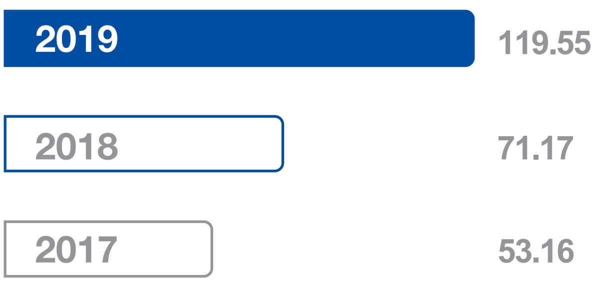
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

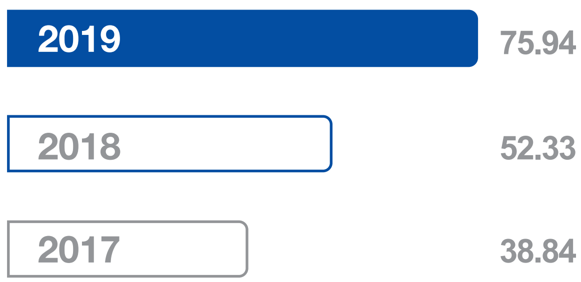
Amount in (KD Mln)

	2017	2018	2019
Revenues	13.99	13.72	13.42
EBITDA	9.87	9.59	8.43
Net Profit	9.68	9.75	8.95
EPS (fils)	98.28	80.16	59.91
Total Assets	53.16	71.17	119.55
Shareholder's equity	38.84	52.33	75.94

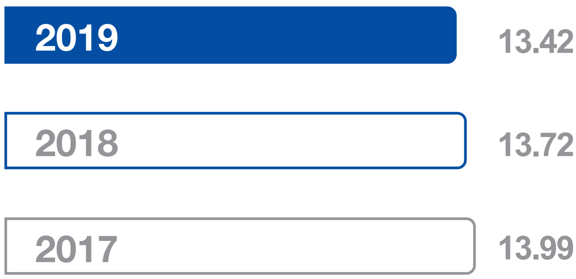
Total Assets (KD Mln)



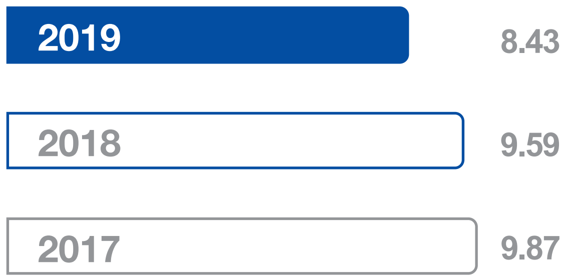
Shareholders Equity (KD Mln)



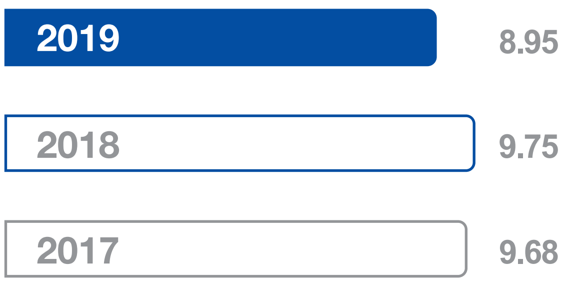
Revenue (KD Mln)



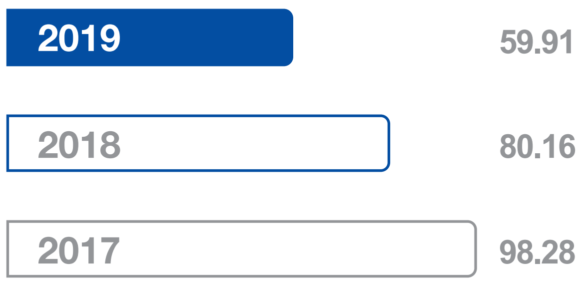
EBITDA (KD Mln)



Net Profit (KD Mln)



EPS (Fils)



CORPORATE SOCIAL RESPONSIBILITY


WELCOME TO

UPAC's Corporate Social Responsibility (CSR) program is an important part of the company's commitment to act ethically and sustainably. Our CSR framework this year was developed with a focus on environmental and educational programs, as well as on supporting local and international charities. Over the course of the year, employees took part in various company organized events and fundraising drives in support of key initiatives.

Support for Special Needs Children at Discovery Mall

On 20 February and 8 October, UPAC organized an open day for children with special needs, in coordination with the Ministry of Social Affairs and Labour. The events included entertainment and other activities organized in collaboration with Al Salam Academy Nursery for Special Education, with the participation of a total of 51 special needs children.

'Job Shadowing' Workshop with INJAZ

As part of its ongoing partnership with INJAZ, UPAC organized a "Job Shadowing" workshop to help mentor nearly 20 high school students from the Kuwait International English School. 6 employees from various departments volunteered their time to coach students and provide them with an overview of the company's day to day operations, granting them access to real time on the job learning and career development. Students were also provided with a complete tour of Kuwait International Airport and its various facilities to get a better sense of the overall operation.

Support for Kuwait's Orphanage

In coordination with the Ministry of Social Affairs and Labor, UPAC organized a day out at Discovery Mall for children from Kuwait's Orphanage. The event hosted 14 children between the ages of 4 – 12 accompanied by 9 UPAC volunteers who spent the day participating in a range of activities within the multiple entertainment outlets at the mall, including Cozmo Kids, Paint Ball, and Trampo.

Earth Day Celebration held at Discovery Mall

For the fourth consecutive year, UPAC held its annual Earth Day event to demonstrate its continued support for environmental protection globally. UPAC hosted 28 students from local schools and held various activities to raise awareness and knowledge amongst the community. Some of the coordinated activities included an educational documentary on the importance of environmental sustainability and awareness campaigns including the distribution of informative flyers covering the significance of earth day.

UPAC volunteers distributed 120 plants which were later planted by those students within the gardens of Discovery Mall.

Partnership with the Kuwait Food Bank

UPAC joined forces with Agility to run a charitable meal program during the Holy Month of Ramadan in coordination with the Kuwait Food Bank.

Volunteers helped with the packaging and distribution of the ‘Machla’ food boxes, which were then donated to 330 families in need. The boxes contained basic food supplies to cover an entire month’s worth of necessary food items to families in need. In addition, throughout Ramadan, volunteers helped distribute 300 Iftar meals to individuals and workers near the Omar Bin Khattab mosque in Kuwait City.

Nearly 30 volunteers from the Company donated their time to help feed more than 10,000 individuals through the daily Iftar meal program and Machla donation box distribution.

“Donate to Educate” Campaign

Over the years, UPAC has supported a variety of programs that seek to provide educational support to underprivileged students. In July, UPAC joined forces with the Kuwait Red Crescent Society in their campaign “Donate to Educate.” The campaign aims to support those less fortunate students by providing them with the opportunity to gain access to a basic level of education.

UPAC’s employees supported the initiative by providing both cash and non-cash contributions. All employee cash contributions made via UPAC were matched dollar for dollar by the company. Other non-cash contributions included donations of various school supplies and other related school material.

Blood Donation Drives

For the fifth consecutive year, and in continuation of the "Donate Blood to Save Lives" campaign, UPAC organized two blood donation drives in July, and in partnership with the Kuwait Central Blood Bank.

The blood donation drives saw the participation of 48 UPAC employees, as well as various walk-ins. A total of 24 liters of blood was donated to the Central Blood Bank to supplement emergency blood requirements at various government hospitals within Kuwait.

"Dialysis for Refugees" Campaign

UPAC joined forces with Agility and the Kuwait Red Crescent Society to support the "Dialysis for Refugees" campaign. The campaign aims to raise funds to support refugees in need of financial support in order to secure life supporting renal dialysis sessions.

Health and Safety Medical Camp

In line with its commitment to promote industry-leading health and safety standards, the developer behind Abu Dhabi's Reem Mall- Al Farwaniya Property Developments (AFPD), launched a unique awards program for its staff and contractors.

The initiative presented a monthly award to workers in recognition of their outstanding commitment to health and safety standards and for their direct contributions to the health and safety of their colleagues.

In collaboration with a specialist health and safety consultant, AFPD has implemented a number of unique health, safety and welfare initiatives including a 24-hour medical clinic, a 'cool room' providing relief from harsh summer weather conditions for up to 2000 workers, and a dedicated on site facility for ongoing safety training.


مبنى الشيخ سعد
Sheikh Saad
dubai

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 Risk Committee, the Audit Committee, the Remuneration and Nominations Committee, as well as the role of Executive Management.

TABLE OF CONTENTS

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 Classification	Date Elected/Appointed
1	**Tarek Al-Mousa**	Chairman	Non-Executive Member	April 2018
2	**Nadia Akil**	Vice Chairperson	Executive Member	April 2018
3	**Zuhair Al-Zamel**	Board Member	Independent Member	April 2018
4	**Majed Al-Ajeel**	Board Member	Non-Executive Member	April 2018
5	**Hassan El-Houry**	Board Member	Non-Executive Member	April 2018

The Secretary of the Board of Directors has been reappointed by Board Resolution No. 03/18 dated 30 April 2018 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 being appointed to this position in 2012, she has been responsible for the overall operations of UPAC in Kuwait, including four BOT contracts that encompass over 24,000 sqm of commercial and retail space in prominent locations across the country. In her leadership role, she has revitalized the Company's internal structure and functional operations by driving business development initiatives and optimizing the operation. 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, where she managed over 20 private client portfolios and developed product strategy. Nadia is also a member of the Young Presidents' Organization (YPO).
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 is the Chairman of Burgan Bank and has held this position since 2010. He also serves as the Chairperson of the Kuwait Banking Association, and previously held leading positions such as Vice Chairperson and CEO of UPAC, and 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 the Board of Directors of National Real Estate Company (NREC) and Royal Aviation (UPAC subsidiary). He is also the Group CEO of National Aviation Services (NAS), the fastest growing aviation services provider in the Middle East, Africa and South Asia. 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 2019. 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 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 the Companies Law No. 01 of the year 2016 and its Executive Regulations.

Board of Directors' Meetings Record during the Year 2019

Name & Capacity	Meeting No. 01/19 held on 10 February 2019	Meeting No. 02/19 held on 13 May 2019	Meeting No. 03/19 held on 25 July 2019	Meeting No. 04/19 held on 18 September 2019	Meeting No. 05/19 held on 04 November 2019	Meeting No. 06/19 held on 30 December 2019	Number of meetings attended in 2019
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.

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 the performance of the Company through the meetings of the Board of Directors and follow up with the results of the committees.
- Set performance goals and monitoring implementation and overall performance in the Company.
- Verify the Company's compliance with policies and procedures to guarantee its respect of applicable internal bylaws and regulations.
- Ensure 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 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 and 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 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 efficiently 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 is 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

UPAC continued its efforts to enhance its market position through maintaining stable operational performance at the highest standards across all of the Company's projects. This has, along with the effective leadership from the Board of Directors and Executive Management, led to continued strong financial performance and steady profitability during 2019 despite the challenges faces throughout various sectors of the business during the year. The Company achieved the following objectives during 2019, summarized as follows:

- Maintaining stable operational profitability throughout the year.
- Enhancement of the Company's current operational capabilities by developing and enhancing its automated and digital customer services.
- The addition of a new project to its portfolio with regards to the Management, Development, Operations and Maintenance of the Parking Lot at Terminal 4 at Kuwait International Airport (T4).
- Closure of financing requirements for the development and construction of the Reem Mall project in Abu Dhabi.
- Continuation of the construction progress of Reem Mall project as per the construction schedule.
- Completion of UPAC's capital increase in February 2019 with the subscription of 100% of issued shares, reflecting shareholders' confidence in the Company's performance.

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, which was renewed immediately after the election/appointment of the Company's Board of Directors on April 2018. 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 2019

Name & Capacity	Meeting No. 01/19 held on 10 February 2019	Meeting No. 02/19 held on 13 May 2019	Meeting No. 03/19 held on 25 July 2019	Meeting No. 04/19 held on 04 November 2019	Number of meetings attended in 2019
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 2019, 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 their services to the Company are confined to providing audit services only.
- Review the financial auditors' reports and follow 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, 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 acceptable risk level, and ensure that the Company operates within that level 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 follow 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.

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, which was renewed immediately after the election/appointment of the Company's Board of Directors on April 2018. 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 2019

Name & Capacity	Meeting No. 01/19 held on 10 February 2019	Number of meetings attended in 2019
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 a meeting during the course of 2019, 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 a detailed Annual Report outlining the benefits for Board Members and members of Executive Management.

Achievements of the Board Nominations and Remunerations Committee (BNRC)

- Prepare an annual report of the remuneration granted to members of the Board of Directors and Executive Management for the financial year ending 31 December 2019.
- Recommend to refrain from allocating payment of the Board of Directors' remuneration for the fiscal year ending on 31st December 2019, 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 2019.

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 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 AND EXECUTIVE MANAGEMENT REMUNERATION

In compliance with the highest standards of transparency and in line with the best practices adopted under the Corporate Governance Framework, the Company has committed to provide a detailed annual report outlining the total remuneration packages granted to members of the Board of Directors and Executive Management. Such remuneration 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. In 2019, the Board of Directors has recommended to refrain from paying any remuneration to the members for the fiscal year ending on 31st December 2019.

Also based on the BNRC recommendation, the Board of Directors has approved to pay a total value of KD 10,000 (ten thousand Kuwaiti Dinars) for the consultancy services provided by members of the Audit and Risk Management Committee (BRAC) throughout the year 2019 according to the following details:

Capacity in Committee	Board Member Classification	Kind of Reward	Reward Value (KD thousand)
Member of the Board Risk and Audit Committee (BRAC)	Independent Member	Consultancy services required by BRAC	5
Member of the Board Risk and Audit Committee (BRAC)	Non-Executive Member	Consultancy services required by BRAC	5

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. Moreover, the Nomination and Remuneration Committee did not monitor any deviations from the approved remuneration policy. The below table sets out the total fixed and variable benefits extended to Executive Management and acting Managers in 2019:

Classification	Number of employees	Fixed remuneration (KD thousand)	Variable remuneration (KD thousand)	Total (KD thousand)
Members of Executive Management and acting Managers	6	250	148	398

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 2019, 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.

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 have 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 (E-forms - Transfora).

In addition, and as per Corporate Governance Requirements, a fully certified and independent auditor (Deloitte and Touche) was reappointed 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. Further, the Company has appointed 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) which were 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 the 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 inside or outside the Company. 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 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.

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

The Company maintains a detailed disclosure register which includes and monitors all disclosure records for Board Members and Executive Management. Such records are easily accessible on the Company's website by all shareholders without any additional fees or considerations. The Company regularly reviews and updates the disclosure data and records in order to accurately reflect the Company's 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, or through the facilitation of the Board of Directors of the Company.

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 2019:

- Recognizing and Avoiding Bribery.
- Code of Conduct - Best Practices.

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 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 in 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 to highlight social responsibility, and create 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*


ديسكفري

INDEPENDENT AUDITOR’S REPORT

Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000 / 2245 2880
Fax: +965 2245 6419
kuwait@kw.ey.com
www.ey.com/me

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 2019, 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 2019, 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' *Code of Ethics for Professional Accountants (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.

Emphasis of Matter

"We draw attention to Note 8 to the consolidated financial statements, which describes the recent developments relating of the legal case and the contract between Parent Company and Touristic Enterprise Company ("TEC") regarding a Build-Operate-Transfer ("BOT") contract. Our opinion is not modified in respect of this matter."

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. In addition to the matters described in the emphasis of matter paragraph, we have determined the matters described below to be as key audit matters to be reported in our report. 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.

Classification and 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 ongoing classification of this arrangement and the valuation of amounts due from an associate, the management evaluates these terms on each reporting period. The management assessed 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 classification and valuation of the financing arrangement as a key audit matter.

Building a better 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)

Classification and 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 14 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities in Note 21.

Other information included in the Group's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our 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 and will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

Building a better
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

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, related safeguards.

Building a better 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 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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

12 March 2020
Kuwait

CONSOLIDATED FINANCIAL STATEMENTS

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


SNOW PLAY
RM
ريم مول
Reem Mall

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Revenues	6	**13,419,391**	13,716,188
Operating costs		**(1,186,299)**	(1,165,767)
GROSS PROFIT		**12,233,092**	12,550,421
General and administrative expenses		**(2,246,756)**	(2,133,543)
Salaries and employee benefits		**(1,334,305)**	(1,198,110)
Share of results of an associate	5	**(152,773)**	(9,555)
Revaluation (loss) gain on loan to an associate		**(131,704)**	269,322
Net other income		**62,007**	110,550
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		**8,429,561**	9,589,085
Depreciation		**(67,684)**	(77,793)
Amortisation	8	**(3,953,057)**	(1,881,508)
Profit before interest and taxation ("EBIT")		**4,408,820**	7,629,784
Interest income		**6,521,424**	3,405,336
Finance cost		**(1,531,501)**	(775,224)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' Remuneration		**9,398,743**	10,259,896
Contribution to KFAS		**(88,037)**	(101,512)
NLST		**(259,211)**	(264,884)
Zakat		**(103,684)**	(116,469)
Board of Directors' remuneration	17	**-**	(25,000)
PROFIT FOR THE YEAR		**8,947,811**	9,752,031
Attributable to:			
Equity holders of the Parent Company		**9,330,960**	9,710,806
Non-controlling interest	4	**(383,149)**	41,225
		8,947,811	9,752,031
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**59.91 fils**	80.16 fils

The attached notes 1 to 21 form part of these consolidated financial statements.

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019 *KD*	*2018* *KD*
Profit for the year	**8,947,811**	9,752,031
Other comprehensive loss:		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustment	**(14,749)**	5,208
Share of other comprehensive loss of an associate	**(364,159)**	(36,609)
Other comprehensive loss for the year	**(378,908)**	(31,401)
Total comprehensive income for the year	**8,568,903**	9,720,630
Attributable to:		
Equity holders of the Parent Company	**8,952,052**	9,679,405
Non-controlling interests	**(383,149)**	41,225
Total comprehensive income for the year	**8,568,903**	9,720,630

The attached notes 1 to 21 form part of these consolidated financial statements.

United Projects Company for Aviation Services K.S.C.P and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Non-current assets			
Property and equipment		174,062	216,407
Intangible assets	8	9,494,470	8,513,402
Investment in an associate	5	6,007,664	6,539,345
Loan to an associate	14	98,732,145	42,054,013
		114,408,341	57,323,167
Current assets			
Accounts receivable and other assets	9	3,627,292	3,635,790
Cash and cash equivalents	10	1,511,414	10,211,760
		5,138,706	13,847,550
TOTAL ASSETS		119,547,047	71,170,717
EQUITY AND LIABILITIES			
Equity			
Share capital	11 (a)	16,450,000	13,175,000
Share premium	11 (a)	42,065,000	27,327,500
Statutory reserve	11 (b)	7,000,058	6,021,868
Treasury shares	12	(1,544,594)	(1,544,594)
Other reserve		(661,746)	(297,587)
Foreign currency translation reserve		(9,541)	5,208
Retained earnings		12,644,385	7,644,805
Equity attributable to equity holders of the Parent Company		75,943,562	52,332,200
Non-controlling interests	4	1,746,146	2,129,295
Total equity		77,689,708	54,461,495
Non-current liabilities			
Loans and borrowings	15	25,752,074	-
Accounts payable and other liabilities	13	7,683,881	3,532,872
Employees' end of service benefits		536,177	459,844
		33,972,132	3,992,716
Current liabilities			
Loans and borrowings	15	-	4,400,000
Accounts payable and other liabilities	13	7,885,207	8,316,506
		7,885,207	12,716,506
Total liabilities		41,857,339	16,709,222
TOTAL EQUITY AND LIABILITIES		119,547,047	71,170,717

Tarek Ibrahim Mohammad Al Mousa
Chairman

Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 21 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 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and after Board of Directors' Remuneration		9,398,743	10,234,896
Adjustments for:			
Depreciation		67,684	77,793
Amortisation	8	3,953,057	1,881,508
Provision for employees' end of service benefits		90,309	80,303
Share of results of an associate		152,773	9,555
Interest income		(6,521,424)	(3,405,336)
Allowance for expected credit loss	9	541,390	405,950
Revaluation (loss) gain on loan to an associate		131,704	(269,322)
Loss on write off of intangible asset		34,537	-
Finance cost		1,531,501	775,224
		9,380,274	9,790,571
Working capital adjustments:			
Accounts receivable and other assets		(539,638)	(1,454,632)
Accounts payable and other liabilities		(1,774,974)	(535,211)
		7,065,662	7,800,728
Employees' end of service benefits paid		(13,976)	(20,449)
Taxes paid		(271,532)	(357,195)
Net cash flows from operating activities		6,780,154	7,423,084
INVESTING ACTIVITIES			
Purchase of property and equipment		(30,371)	(10,620)
Additions to intangible assets		(369,303)	(170,598)
Loan to an associate		(50,471,197)	(13,726,552)
Interest income received		189,531	282,322
Net cash flows used in investing activities		(50,681,340)	(13,625,448)
FINANCING ACTIVITIES			
Proceeds from rights issue		18,012,500	20,002,500
Proceeds from loans and borrowings		28,252,074	5,900,000
Repayments of loans and borrowings		(6,900,000)	(1,500,000)
Dividend paid	17	(3,353,190)	(15,358,009)
Finance cost paid		(810,544)	(309,453)
Cash flows from financing activities		35,200,840	8,735,038
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8,700,346)	2,532,674
Cash and cash equivalents as at 1 January		10,211,760	7,679,086
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	10	1,511,414	10,211,760
Non-cash items excluded from the statement of cash flows:			
Adjustment to intangible assets related to service concession arrangements	8	(4,594,327)	-
Adjustment to accounts payable and other liabilities related to service concession arrangements		4,594,327	-
Adjustment to intangible asset related to transfer of asset	8	(5,032)	-
Adjustment to property and equipment related to transfer of asset		5,032	-

The attached notes 1 to 21 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 2019

	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 interests KD*	*Total KD*
As at 1 January 2019	13,175,000	27,327,500	6,021,868	(1,544,594)	(297,587)	5,208	7,644,805	52,332,200	2,129,295	54,461,495
Profit (loss) for the year	-	-	-	-	-	-	9,330,960	9,330,960	(383,149)	8,947,811
Other comprehensive loss for the year	-	-	-	-	(364,159)	(14,749)	-	(378,908)	-	(378,908)
Total comprehensive (loss) income for the year	-	-	-	-	(364,159)	(14,749)	9,330,960	8,952,052	(383,149)	8,568,903
Dividend paid (Note 17)	-	-	-	-	-	-	(3,353,190)	(3,353,190)	-	(3,353,190)
Issuance of share capital (Note 11 (a))	3,275,000	14,737,500	-	-	-	-	-	18,012,500	-	18,012,500
Transfer to statutory reserve	-	-	978,190	-	-	-	(978,190)	-	-	-
As at 31 December 2019	**16,450,000**	**42,065,000**	**7,000,058**	**(1,544,594)**	**(661,746)**	**(9,541)**	**12,644,385**	**75,943,562**	**1,746,146**	**77,689,708**
As at 1 January 2018	10,000,000	10,500,000	5,000,000	(1,544,594)	(260,978)	(333,914)	15,480,385	38,840,899	2,123,770	40,964,669
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	333,914	(1,166,509)	(832,595)	(35,700)	(868,295)
As at 1 January 2018 (restated)	10,000,000	10,500,000	5,000,000	(1,544,594)	(260,978)	-	14,313,876	38,008,304	2,088,070	40,096,374
Profit for the year	-	-	-	-	-	-	9,710,806	9,710,806	41,225	9,752,031
Other comprehensive (loss) income for the year	-	-	-	-	(36,609)	5,208	-	(31,401)	-	(31,401)
Total comprehensive (loss) income for the year	-	-	-	-	(36,609)	5,208	9,710,806	9,679,405	41,225	9,720,630
Dividend paid (Note 17)	-	-	-	-	-	-	(15,358,009)	(15,358,009)	-	(15,358,009)
Issuance of share capital (Note 11 (a))	3,175,000	16,827,500	-	-	-	-	-	20,002,500	-	20,002,500
Transfer to statutory reserve	-	-	1,021,868	-	-	-	(1,021,868)	-	-	-
As at 31 December 2018	13,175,000	27,327,500	6,021,868	(1,544,594)	(297,587)	5,208	7,644,805	52,332,200	2,129,295	54,461,495

The attached notes 1 to 21 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 2019

1 ACTIVITIES AND CORPORATE INFORMATION

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 were authorised for issue by the board of directors on 12 March 2020. 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 the Kuwait Stock Exchange and is a subsidiary of Agility Public Warehousing Company K.S.C.P (the "Ultimate Parent Company"), which is also listed on the Kuwait Stock Exchange.

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.

The consolidated financial statements provide comparative information in respect of the previous period. Certain comparative information has been reclassified and represented to conform to classification in the current period. Such reclassification has been made to improve the quality of information presented.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of following new and amended standards effective as of 1 January 2019.

IFRS 16 - *'Leases'*

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position

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

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 - *'Leases' (continued)*

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

b) Summary of new accounting policies

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- *Significant judgement in determining the lease term of contracts with renewal options*

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

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Adoption of IFRS 16 did not have an impact on the consolidated financial position of the Group and results for the year ended 31 December 2019.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

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 IFRS 3: Definition of a Business

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

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

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

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

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

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 statement of income. Any investment retained is recognized at fair value.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The consolidated financial statements of the Group include:

Name of the company	*Country of incorporation*	*Principal activity*	Effective % equity interest	
			2019	*2018*
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

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 presented separately from revenue from contracts with customers in the consolidated statement of income and is over recognised at it accrues using the effective interest rate method.

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.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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
• Sheikh Saa'd Terminal	12 years (2018: 16 years)
• Discovery Mall*	10 years
• Kuwait Airways Terminal-4 Parking project	5 years

*Fully amortised as at 31 December 2019

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.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Service concession arrangements (continued)

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 associates

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

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

The Group’s investments 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 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 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 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.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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.

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.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test) (continued)

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

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 (equityinstruments)
- 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.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial liabilities

Initial recognition and measurement

The accounting for financial liabilities remain largely the same as it was under IAS 39. Financial liabilities are recognised initially at fair value and, in case of loans, borrowings and payables, net of directly attributable transactions costs.

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 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.

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 2019

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 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 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.

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 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:

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 financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

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 2019

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 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 financial statements. Management assesses the impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

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 2019

4 GROUP INFORMATION

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 %*	
			2019	*2018*
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 2019 KD	*RAC 2018 KD*
Summarized statement of income statement for the year ended 31 December:		
Revenues	**1,919,119**	2,197,719
Operating costs	**(761,484)**	(761,277)
Net operating expenses	**(386,805)**	(538,384)
Other income	**59,795**	47,228
EBITDA	**830,625**	945,286
Depreciation and amortization	**(1,976,747)**	(821,968)
(Loss) profit for the year	**(1,146,122)**	123,318
Total comprehensive (loss) profit for year	**(1,146,122)**	123,318
Attributable to non-controlling interests	**(383,149)**	41,225

Summarised statement of financial position as at 31 December:

	RAC 2019 KD	*RAC 2018 KD*
Intangible asset and other non-current assets (non-current)	**4,612,866**	5,603,694
Accounts receivable and other assets and cash and cash equivalents (current)	**1,113,784**	1,337,876
Employees' end of service benefits (non-current)	**(50,366)**	(47,750)
Accounts payable and other liabilities (current)	**(453,164)**	(524,577)
Total equity	**5,223,120**	6,369,243
Attributable to:		
Equity holders of Parent Company	**3,476,974**	4,239,948
Non-controlling interest	**1,746,146**	2,129,295

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 2019

4 GROUP INFORMATION (continued)

Summarized cash flow information for year ended 31 December:

	RAC 2019 KD	*RAC 2018 KD*
Operating cash flows	816,884	750,000
Investing cash flows	(934,879)	(1,296,968)
Net decrease in cash and cash equivalents	(117,995)	(546,968)

5 INVESTMENT IN AN ASSOCIATE

During the prior year, the Group subscribed for equity interest in Naples through transferring portion of loan to an associate (Note 14) amounting to AED 62M equivalent to KD 5.1M resulting in ownership of 9.47% (2018: 9.47%) to equity. The Group has determined that it exercises significant influence over associate through virtue of board representation.

Summarised financial information of the associate is as follows:

	2019 KD	*2018 KD*
Non-current assets	245,483,860	175,873,116
Current assets	7,608,980	523,409
Non-current liabilities	(180,783,314)	(97,657,951)
Current liabilities	(8,870,625)	(9,685,301)
Equity	63,438,901	69,053,273
Group's share in equity 9.47% (2018: 9.47%) and Group's carrying amount of the investment	6,007,664	6,539,345
Administrative expenses	(1,613,901)	(910,000)
Loss for the year	(1,613,901)	(910,000)
Group's share in the loss for the year*	(152,773)	(9,555)
Other comprehensive loss for the year	(3,843,448)	(3,486,571)
Group's share in other comprehensive income	(364,159)	(36,609)

* Share of results for 2018 were accounted on a pro rata basis from date the Group achieved significance influence.

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

	2019 KD	*2018 KD*
Transfer from financial asset available for sale	6,539,345	1,449,198
Contribution during the year	-	5,131,103
Share of results	(152,773)	(9,555)
Share of other comprehensive income	(364,159)	(36,609)
Foreign currency translation adjustment	(14,749)	5,208
As at 31 December	6,007,664	6,539,345

The associate had capital commitments as at 31 December 2019 amounting to KD 37,223,949 and (2018: KD 87,695,146)

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 2019

6 RENTAL AND SERVICE REVENUE

6.1 Disaggregated revenue information

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

	2019 *KD*	*2018* *KD*
Rental revenue	**7,193,098**	7,459,436
Service revenue	**6,226,293**	6,256,752
	13,419,391	13,716,188

6.2 Contract balances

	2019 *KD*	*2018* *KD*
Trade receivables (Note 9)	**4,743,036**	3,964,931
Contract liabilities (Note 13)	**5,980,779**	7,021,017

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:

	2019 *KD*	*2018* *KD*
Profit for the year attributable to equity holders of the Parent Company	**9,330,960**	9,710,806
Weighted average number of paid up shares	**160,579,548**	125,971,837
Weighted average number of treasury shares	**(4,824,307)**	(4,824,307)
Weighted average number of shares, less treasury shares, outstanding during the year	**155,755,241**	121,147,530
Basic and diluted earnings per share	**59.91fils**	80.16 fils

Earnings per share for 2018 has been adjusted to reflect the rights issue during the year (Note 11 (a)).

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 2019

8 INTANGIBLE ASSETS

Intangible assets represent cost incurred on the construction of the Discovery Mall, 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.

	2019 *KD*	*2018* *KD*
Cost:		
As at 1 January	**41,777,151**	41,606,553
Additions:		
Related to service concession arrangements	**4,594,327**	-
Transfer from property and equipment	**5,032**	-
Other additions	**369,303**	170,598
Write-off of the asset	**(69,764)**	-
As at 31 December	**46,676,049**	41,777,151
Amortisation:		
As at 1 January	**33,263,749**	31,382,241
Related to write-off of the asset	**(35,227)**	-
Charge for the year	**3,953,057**	1,881,508
As at 31 December	**37,181,579**	33,263,749
Net carrying amount:		
As at 31 December	**9,494,470**	8,513,402

Discovery Mall

Included in intangible assets is a fully amortised intangible asset (31 December 2018: KD Nil) that represents the Built-Operate-Transfer (BOT) project for the construction of Discovery Mall (the "Mall"). This Mall was built on leasehold land from the Touristic Enterprise Company ("TEC") for an initial period of 10 years which was then extended by seven months to 28 January 2014 based on a TEC letter dated 20 February 2013. Since there were various delays in receiving the leasehold land from TEC, which resulted in an adverse effect on the investment term, the Parent Company requested a renewal to the contract for an additional period and had subsequently filed a compensation claim. However, TEC filed a lawsuit requesting the Parent Company to withdraw from the Mall and deliver it back to TEC. On 11 February 2015, the First Instance Court ruled in favor of TEC acknowledging the initial expiration of the contract as of 30 June 2013. The Parent Company however appealed the judgment and challenged it to suspend the execution of aforementioned ruling which the Court of Cassation accepted on 24 June 2015. On 10 October 2018, the Court of Appeal confirmed the First Instance ruling in favour of TEC and requested the Parent Company to evacuate the Mall and hand it over to TEC. The Parent Company challenged the ruling in the Cassation Court. On 8 January 2020 subsequent to the year-end, the Court of Cassation rejected the Parent Company's challenge to this decision and ruled in favour of TEC. However, on 13 February 2020 and subsequent to the above ruling, the Parent Company and TEC further agreed to postpone the handover of the mall for a further period of six months starting from 12 February 2020 until 12 August 2020 in return for a fixed payment of KD 75 thousand to TEC. Accordingly, management continues to operate the Mall and is entitled to do so by virtue of the above postponement.

8 INTANGIBLE ASSETS (continued)

Sheikh Saa'd Terminal
Included in intangible assets an amount of KD 2,298,629 (2018: KD 4,230,853) that represents the carrying value of Built-Operate-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). As required by the accounting policies adopted by the Group, management is required to annually reassess the useful life of the terminal which resulted in a change in its useful life from 16 to 12 years. This change is to properly reflect the expected pattern in consumption of the terminal's future economic benefits.

This change in estimate was prospectively applied as on 1 January 2019 and resulted in an increase in amortisation expense by KD 1,149,314. Had the accounting estimate not been changed, the reported 'profit for the year' would have been higher by KD 1,149,314.

Commercial complex of Kuwait International Airport
Included in intangible assets is an amount of KD 3,193,156 (31 December 2018: KD 4,282,549) 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 on 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 2019, intangible assets include KD 4,002,685 (2018: Nil) relating to this arrangement and liability of KD 3,873,710 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%

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2019	*2018*
	KD	*KD*
Rent receivables	**1,616,036**	1,542,931
Counter fee receivable	**3,127,000**	2,422,000
Other receivables	**460,007**	600,424
Prepayments	**686,755**	826,633
	5,889,798	5,391,988
Allowance for expected credit losses	**(2,262,506)**	(1,756,198)
	3,627,292	3,635,790

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

	2019	*2018*
	KD	*KD*
As at 1 January	**1,756,198**	448,296
Transition adjustment to IFRS 9	**-**	912,076
Charge for the year	**541,390**	405,950
Amounts written off	**(35,082)**	(10,124)
As at 31 December	**2,262,506**	1,756,198

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 2019

10 CASH AND CASH EQUIVALENTS

	2019 KD	*2018 KD*
Cash and bank balances	**1,244,756**	3,168,641
Short-term deposits	**266,658**	7,043,119
Cash and cash equivalents	**1,511,414**	10,211,760

Short term deposits are denominated in KD and carry an effective interest rate of 2.60% (2018: 1.75% to 2.25%) per annum with maturity less than three months from reporting date.

11 SHARE CAPITAL AND RESERVES

a) Share capital and share premium

	2019 Shares	*2018 Shares*
Authorised shares		
Ordinary shares of 100 fils each	**382,500,000**	382,500,000
Ordinary shares issued and fully paid		
As at 1 January	**131,750,000**	100,000,000
Issued during the year	**32,750,000**	31,750,000
	164,500,000	131,750,000

During the year, the Parent Company made a rights issue to its shareholders at KD 0.550 per share (31 December 2018: KD 0.630 per share) made up of KD 0.100 share capital (31 December 2018: KD 0.100 share capital) and KD 0.450 share premium (31 December 2018 KD 0.530 share premium). A total of 32,750,000 shares (31 December 2018: 31,750,000 share) were issued resulting in an increase in share capital by KD 3,275,000 (31 December 2018: KD 3,175,000) and an increase in the share premium account by KD 14,737,500 (31 December 2018: KD 16,827,500).

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.

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 2019

12 TREASURY SHARES

	2019	*2018*
Number of treasury shares	**4,824,307**	4,824,307
Percentage of issued shares (%)	**3%**	4%
Market value (KD)	**2,470,045**	3,063,435
Cost (KD)	**1,544,594**	1,544,594

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

13 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019 KD	*2018 KD*
Accounts payable	**2,156,489**	1,382,294
Accrued expenses	**1,444,096**	1,192,353
Contract liabilities*	**5,980,779**	7,021,017
Provision for staff leave	**112,740**	120,524
Tenant refundable deposits	**2,002,756**	2,107,528
Other payables	**3,872,228**	25,662
	15,569,088	11,849,378

	2019 KD	*2018 KD*
Classified as:		
Non-current liabilities	**7,683,881**	3,532,872
Current liabilities	**7,885,207**	8,316,506
	15,569,088	11,849,378

* 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 KD 2,753,868 (2018: KD 3,532,872).

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 19.3.

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 2019

14 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*	***2019 KD***	*2018 KD*
Consolidated statement of income :				
Revenues	-	280,555	**280,555**	72,730
Operating costs	-	(242,803)	**(242,803)**	(262,700)
General and administrative expenses	-	(16,680)	**(16,680)**	(19,773)
Finance cost	(348,258)	-	**(348,258)**	-
Share of results in an associate	-	(152,773)	**(152,773)**	-
Interest income	-	6,338,639	**6,338,639**	3,123,014

	Ultimate parent company KD	*Other related parties KD*	***2019 KD***	*2018 KD*
Consolidated statement of financial position				
Amounts due from a related party (included in accounts receivable and other assets)	-	103,213	**103,213**	-
Amounts due to related parties (included in accounts payable and other liabilities)	(819,683)	-	**(819,683)**	(390,930)
Investment in an associate (Note 5)	-	6,007,664	**6,007,664**	6,539,345
Loan to an associate*	-	98,732,145	**98,732,145**	42,054,013

Amounts due from/to related parties are interest free and are receivable/payable on demand. Other related parties include entities under common control.

* 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 can 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(2018: KD 6,580,301) in the equity of the Project out of the Group's capital commitment.

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

	2019 KD	*2018 KD*
As at 1 January	**42,054,013**	30,022,447
Transition adjustment to IFRS 9	**-**	43,781
Additional contribution	**50,471,197**	8,595,449
Interest accrued	**6,338,639**	3,123,014
Change in fair value	**-**	(24,378)
Foreign currency translation adjustments	**(131,704)**	293,700
	98,732,145	42,054,013

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 2019
14 RELATED PARTY DISCLOSURES (continued)

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

	2019	*2018*
	KD	*KD*
Short-term benefits	**209,957**	204,387
Employees' end of service benefits	**28,791**	21,267
	238,748	225,654

15 LOANS AND BORROWINGS

	2019	*2018*
	KD	*KD*
Borrowing facility	**25,752,074**	4,400,000

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 14), and for working capital requirements of the Parent Company. During the year, an amount of KD 28,252,074 has been withdrawn and KD 6,900,000 is repaid. This loan facility bears an average finance cost of 6% (31 December 2018: 6%) per annum and is repayable on 31 December 2022.

16 COMMITMENTS AND CONTINGENCIES

Capital commitments
The Shaikh Saad Terminal, Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 8) are constructed in accordance with service concession agreement and annual payment of KD 800,235 (2018: KD 872,235) has been made. The payments for the future periods are as follows:

	2019	*2018*
	KD	*KD*
Within one year	**800,235**	872,235
After one year but no later than five years	**2,019,515**	2,819,750
	2,819,750	3,691,985

Contingencies
As at 31 December 2019, the Group had contingent liabilities, amounting to KD 11,648,075 (2018: KD 37,344,054), in respect of bank guarantees arising in the ordinary course of business.

17 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

	2019	*2018*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
Dividends paid for 2018: 21 fils per share (2017: 121 fils per share)	**3,353,190**	15,358,009
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2019: Nil fils per share (2018: 21 fils per share)	**-**	3,353,190

At the Board of Directors meeting held on 12 March 2020, the directors recommended Board of Directors' remuneration of KD Nil (2018: KD 25,000).

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 2019

18 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*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*
Segment revenues	**6,236,947**	3,665,104	**13,481,398**	13,826,738	**19,718,345**	17,491,842
Segment profit	**4,939,269**	2,889,880	**4,459,474**	7,370,016	**9,398,743**	10,259,896
Unallocated Expenses					**(450,932)**	(507,865)
Profit for the year					**8,947,811**	9,752,031
Salaries and employees benefits	**-**	-	**1,334,305**	1,198,110	**1,334,305**	1,198,110
Share of result of an associate	**(152,773)**	(9,555)	**-**	-	**(152,773)**	(9,555)
Depreciation and Amortisation	**-**	-	**4,020,741**	1,959,301	**4,020,741**	1,959,301
Assets	**105,393,058**	56,151,929	**14,153,989**	15,018,788	**119,547,047**	71,170,717
Liabilities	**25,752,074**	-	**16,105,265**	16,709,222	**41,857,339**	16,709,222

	Investments		*Services operations*		*Total*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*
Other disclosures						
Additions to non-current assets:						
Intangible assets	**-**	-	**4,963,630**	170,598	**4,963,630**	170,598
Investment in an associate	**6,007,664**	6,539,345	**-**	**-**	**6,007,664**	6,539,345

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 2019

19 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.

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.

19.1 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 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*	
		2019	*2018*
		KD	*KD*
AED	+5 %	**4,804,903**	2,102,701

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 borrowings with floating interest rates.

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.

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 2019

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.1 Market risk (continued)

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have resulted in a decrease in profit for the year by KD 81,618 (2018: KD 39,257). This analysis assumes that all other variables, remain constant.

19.2 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:

	2019 *KD*	*2018* *KD*
Cash and cash equivalents	**1,511,414**	10,211,760
Accounts receivable and other assets*	**2,455,316**	2,191,148
Loan to an associate	**98,732,145**	42,054,013
	102,698,875	54,456,921

*Accounts receivable and other assets exclude prepayments.

Concentration of maximum exposure to credit risk

As at 31 December 2019, the Group had 1 customer (2018: 1 customer) that owed the Group KD 1,970,010 (2018: KD 1,525,860) and accounted for approximately 54% (2018: 42%) of accounts receivable and other assets. This concentration arises predominantly from transaction with a governmental entity, which the Group considers it is a customers 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 2019, 14% (2018: 20%) 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.

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 2019

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.2 Credit risk (continued)

Concentration of maximum exposure to 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*
2019					
Expected credit loss rate	**38%**	**55%**	**51%**	**43%**	**43%**
Estimated gross carrying amount at default	**398,127**	**147,566**	**129,014**	**4,528,336**	**5,203,043**
Estimated credit loss	**149,618**	**80,681**	**65,294**	**1,966,913**	**2,262,506**
Net amount	**248,509**	**66,885**	**63,720**	**2,561,423**	**2,940,537**
2018					
Expected credit loss rate	13%	18%	18%	44%	38%
Estimated gross carrying amount at default	435,676	228,717	161,657	3,739,305	4,565,355
Estimated credit loss	56,870	40,292	28,801	1,630,235	1,756,198
	378,806	188,425	132,856	2,109,070	2,809,157

19.3 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.

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 2018

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.3 Liquidity risk (continued)

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

2019	*On demand KD*	*Within 3 months KD*	*3 – 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and other liabilities*	317,254	6,381,393	2,889,662	-	9,588,309
Loans and borrowings	-	-	2,078,825	29,608,998	31,687,823
	317,254	6,381,393	4,968,487	29,608,998	41,276,132

2018	*On demand KD*	*Within 3 months KD*	*3 – 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and other liabilities*	390,930	1,463,998	2,973,434	-	4,828,362
Loans and borrowings	-	-	4,722,489	-	4,722,489
	390,930	1,463,998	7,695,923	-	9,550,851

*Account payables and other liabilities exclude contract liabilities.

20 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 68,943,504 as at 31 December 2019 (2018: KD 46,310,332).

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 2018

21 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 2019	***As at 1 January KD***	***IFRS 9 transition adjustment KD***	***Total gains recognised in profit or loss KD***	***Net (sales) and purchases KD***	***At 31 December KD***
Loan to an associate	**42,054,013**	**-**	**(131,704)**	**56,809,836**	**98,732,145**

31 December 2018	*As at 1 January KD*	*IFRS 9 transition adjustment KD*	*Total gains recognised in profit or loss KD*	*Net (sales) and purchases KD*	*At 31 December KD*
Loan to an associate	30,022,447	43,781	269,321	11,718,464	42,054,013

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, 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**	
	2019	*2018*		***2019 KD***	*2018 KD*
Exit yield	8%	7%	+ 0.5%	(7,461,931)	(3,394,459)
			- 0.5%	8,488,666	3,854,577
Discount rate	10%-11%	10%	+ 0.5%	(5,124,667)	(3,344,924)
			- 0.5%	5,124,667	3,428,424

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

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.