

ANNUAL REPORT

2016

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COMPANY PROFILE

UPAC is a leading commercial real estate and facilities management company that has been operating in Kuwait since 2000.

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 project management and consultancy, real estate management, and maintenance and facilities management. UPAC's customer base includes a wide range of leading retailers, food and beverage companies, airline companies and financial institutions. In 2015, UPAC partnered with the National Real Estate Company (NREC) for the development of the Reem Mall in Abu Dhabi and has committed to a substantial investment into the project over the next three years.

UPAC's key projects include:

Kuwait International Airport

Includes the management of commercial space at the airport mall, the provision of comprehensive around the clock maintenance and facility services, as well as management and supervision of the airport car parks.

Sheikh Saad Terminal

Includes the management of commercial space within the terminal, the provision of maintenance and facilities services, and supervision of the car parks.

Discovery Mall

Includes the management of a unique family recreation center offering a host of educational, cultural, and entertainment activities.

Reem Mall

Reem Mall is an upcoming retail, leisure, dining and entertainment destination in Abu Dhabi covering a 2 million square foot area with 450 stores, 85 food and beverage outlets and a whole range of family-centric entertainment options.

BOARD OF DIRECTORS

HASSAN EL HOURY Chairperson

Hassan El Houry is currently the Chairperson of the board of directors of both UPAC and its subsidiary Royal Aviation, which provides the basic supporting services to public aviation operations. Hassan is also the CEO of National Aviation Services (NAS). He joined NAS in 2009 after serving as Agility's Manager of Corporate Development. NAS is the fastest growing aviation services provider in emerging markets, providing airport services across the Middle East, Africa and South Asia. He holds a Master's of Business Administration (MBA) from the University of Pennsylvania's Wharton School of Business and a bachelor's degree from the American University of Beirut.

NADIA AKIL Vice Chairperson

Executive 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 Kuwait. 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. 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) Greater MENA I Chapter.

TAREK AL MOUSA Non-Executive Board Member

Chairperson of the Board Risk and Audit Committee (BRAC)
Member of the Board Nomination and Remuneration Committee (BNRC)

Tarek Al Mousa is 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. Prior to joining MRC in 2009, Tarek 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.

MAJED AL AJEEL Non-Executive Board 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 and 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.

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 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.



VICE CHAIRPERSON & CEO'S MESSAGE

On behalf of the Board of Directors of United Projects Company for Aviation Services (UPAC), I hereby provide you with the Company's sixteenth annual board of directors' report for the financial year ending on 31 December 2016, as well as an overview of the latest developments achieved by the Company during the year.

Since its acquisition by Agility and by way of joining Agility's infrastructure group of companies, UPAC has grown to become a recognized and trusted provider in the local market and has developed a sound reputation amongst its existing customer base. UPAC's strategy continues to focus on leveraging and growing its core expertise within the real estate and facilities management sector, growing its customer base and network to build a solid and reliable business.

In 2016, the company was able to amend its articles to include a wider range of real estate activities: thereby enhancing the Company's current activities



and supporting its future growth plans in the real estate sector. The Company also succeeded in increasing its authorized capital to KD 38,250,000. This increase will serve to further boost UPAC's liquidity and support planned investments and growth opportunities within Kuwait and the wider GCC. In addition, the Company has implemented the Corporate Governance Framework and endorsed its full activation. The adoption of the framework not only confirms UPAC's compliance with the regulations of the Capital Markets Authority (CMA), but also serves to further improve existing efficiencies within the Company's internal control systems.

The Company's financial performance in 2016 continued to improve and profits have increased steadily year-over-year, adding another year to the Company's successful track record. UPAC reported earnings of KD 8.4 million, equivalent to 107.52 fils per share for the full-year 2016, an increase of 25% from the previous year. UPAC's revenue increased by 3.7% to KD 13.2 million, compared with KD 12.8 million in 2015. Our strong performance reflects UPAC's commitment to improving operational efficiencies and reducing



costs within existing operations, as well as setting the stage for future expansion and growth within real estate.

Growth was driven by the Company's income generating projects in Kuwait, where UPAC manages more than 24,000 square meters of commercial space at the Kuwait International Airport, Sheikh Saad Terminal, and Discovery Mall. UPAC is also developing Reem Mall in Abu Dhabi in partnership with National Real Estate Company (NREC) and has committed to invest up to \$224 million to support equity funding into the project. Upon completion, Reem Mall will be a major retail, leisure and entertainment destination covering two million square feet.

Nadia Akil
Vice Chairperson and CEO

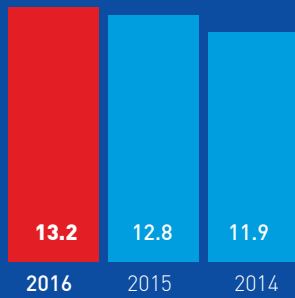
It is worth mentioning that the Board of Directors has recommended against the distribution of cash dividends for the year ending 31 December 2016 in order to maintain certain levels of liquidity to finance and support planned investment projects for the long term benefit of shareholders and stakeholders.

We are certain that we would not have made these achievements without the contributions of our employees, partners and shareholders. I would like to take this opportunity to express my sincere thanks and appreciation for your continued support and contributions that enabled the Company to meet its goals and targets for the year.

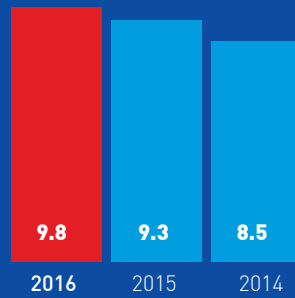


FINANCIAL HIGHLIGHTS

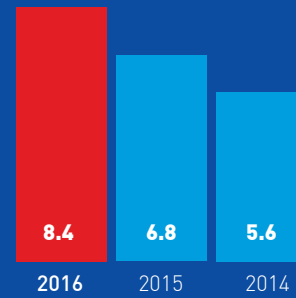
Revenue
in KD Million



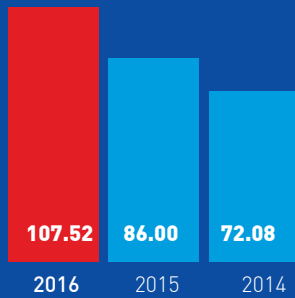
EBITDA
in KD Million



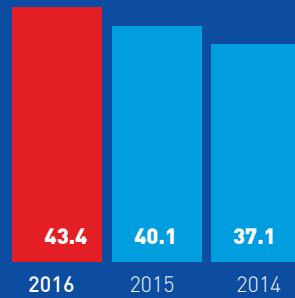
Net Income
in KD Million



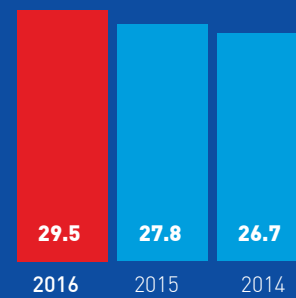
Earnings per Share
in Fils





Total Assets
in KD Million



Share Holders' Equity
in KD Million




3.7%

25%

Increase in Revenue Increase in Earnings per Share

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MESSAGE FROM THE VICE CHAIRPERSON & CEO

On behalf of the Members of the Board of Directors of UPAC, I am pleased to present to the Shareholders of United Projects for Aviation Services Company (UPAC) the Annual Corporate Governance Report for the year ending 31 December 2016.

The enclosed Corporate Governance Report outlines a set of policies, standards and internal controls that have been adopted by the Company in line with regulatory requirements. These procedures serve to enhance transparency and integrity of the Company's operations and ensure that shareholders' objectives are met and the stakeholders' rights are respected and protected.

The implementation of the Corporate Governance Framework is a fundamental part of ensuring the overall success of the Company. Upholding the principles of the Corporate Governance Framework ultimately falls within the responsibilities of the members of the Board of Directors, all of whom are committed to implementing a proper governance

system that meets the relevant regulatory requirements set by the CMA and maintains trust amongst shareholders and stakeholders alike.

Finally, I would like to take this opportunity to extend my sincere thanks to the members of the Board of Directors of UPAC for their continued support and cooperation in establishing a comprehensive Corporate Governance Framework. I would also like to thank UPAC's employees as well as members of the CMA for their continuous support and efforts in supporting UPAC to build a successful system of standards and controls that will surely play an essential role in the Company's future success.



Nadia Akil
Vice Chairperson and CEO

PILLAR 1: CONSTRUCT A BALANCED BOARD COMPOSITION

1.1 Overview of the Composition of the Board of Directors

UPAC's Board of Directors is comprised of five members, all of whom hold the relevant educational qualifications and professional experience to carry out their responsibilities dutifully and professionally. All members have been elected to the Board in line with the applicable provisions of the Company's Memorandum of Association and the Articles of Association of the company. They

are all well versed with the relevant corporate laws and regulations. Furthermore, the formation of the relevant Board Committees ensures that the composition of each Committee accurately reflects the experience and educational qualifications of each member matched to the allocated tasks and responsibilities of each Committee.

Board of Directors:

Name	Capacity	Board Member Classification	Date Elected
Hassan El Houry	Chairperson	Non-Executive Member	May 2015
Nadia Akil	Vice Chairperson and CEO	Executive Member	May 2015
Zuhair Al Zamel	Board Member	Independent Non Executive Member	May 2015
Majed Al Ajeel	Board Member	Non-Executive Member	May 2015
Tarek Al Mousa	Board Member	Non-Executive Member	May 2015

Ms. Lamis Youssef was appointed as board secretary.

Educational Qualifications and Experience of the Board of Directors

HASSAN EL HOURY

Educational Qualifications

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.

Experience

Hassan El Houry is currently the Chairperson of the Board of Directors of both UPAC and its subsidiary Royal Aviation. 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.

NADIA AKIL

Educational Qualifications

Master's degree from New York's Columbia University School of International and Public Affairs, with a concentration in Business and Finance, and a bachelor's degree in International Affairs from Georgetown University in Washington D.C.

Experience

Nadia Akil is the Vice Chairperson and CEO of UPAC and is responsible for the overall operations of UPAC in Kuwait. Prior to joining UPAC, Nadia held various senior positions within Agility's Investments Group and Corporate Development team. Nadia also currently serves as Vice Chairperson of UPAC's subsidiary, Royal Aviation. Prior to joining Agility, Nadia worked at Citigroup's Global Wealth Management Group in London and managed more than 20 private company portfolios. Nadia is also a member of the Young President's Organization (YPO) and serves on various other Boards within Kuwait.

ZUHAIR AL ZAMEL

Educational Qualifications

Bachelor's degree in Electrical Engineering from the University of California at Santa Barbara (UCSB).

Experience

Zuhair 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.

MAJED AL AJEEL

Educational Qualifications

Master's degree and a bachelor's degree from the Catholic University of America.

Experience

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 and was previously the CEO of UPAC prior to 2012.

TAREK AL MOUSA

Educational Qualifications

Bachelor's degree in Mass Media and Sociology from the University of Evansville, Indiana.

Experience

Tarek Al Mousa is 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. Prior to joining MRC in 2009, Tarek managed several executive positions within Agility, last serving as the Executive Director of Strategic Programs. Prior to Agility, Tarek was the General Manager - Operations for the National Real Estate Company (NREC) and was responsible for a real estate portfolio in excess of \$400mn, in addition to the management of commercial and residential complexes.

1.2 Overview of the Meetings of the Board of Directors

The Board of Directors held a total of eight meetings during the course of 2016. All meetings are called for by way of a formal invitation to members at least seven days in advance, in order to allow adequate time for members' to ensure attendance. 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 Company's laws and executive regulations.

Board of Directors' Meetings during the year 2016

Name & Capacity	Meeting No. 01/16 held on 10 March 2016	Meeting No. 02/16 held on 04 May 2016	Meeting No. 03/16 held on 12 May 2016	Meeting No. 04/16 held on 01 June 2016	Meeting No. 05/16 held on 28 June 2016	Meeting No. 06/16 held on 03 August 2016	Meeting No. 07/16 held on 25 August 2016	Meeting No. 08/16 held on 10 November 2016	No. of Meetings
HassanEl Houry Chairperson of the Board of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	5
Nadia Akil Vice Chairperson and CEO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	8
Zuhair Al Zamel Board Member (Independent Member)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6
Majed Al Ajeel Board Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4
Tarek Al Mousa Board Member	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	8

Attendance Absence

1.3 Overview of the Methodology Used to 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 Overview of the Company's Methodology in Identifying Duties and Responsibilities of the Members of the Board of Directors and Executive Management as well as the Powers and Authorities Delegated to Executive Management

In line with the provisions of the Corporate Governance Regulations and the Company's Articles of Association (including Book 15 of the Executive Bylaws of the CMA Corporate Governance Regulations), 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.
- Ensure accuracy and soundness of data and information for disclosure in line with applicable disclosure and transparency policies and regulations.
- Verify the Company's compliance with policies and procedures to guarantee its respect of applicable internal bylaws and regulations.
- Prepare the annual Corporate Governance Report for submission to the General Assembly of the Company.
- Formation of the Board Committees amongst

the existing Board members and in accordance with a Board Charter: setting out the Committee's clear roles and responsibilities, and the methodology of supervision by the Board of Directors.

- Identify the authorities and powers to be delegated to Executive Management.
- Control and supervise the performance of Executive Management and verify the implementation of approved policies and regulations.
- Develop a policy to regulate the relationship with stakeholders and a mechanism which regulates dealings with related parties.
- Verify the application of internal control and risk management systems appropriate to assess applicable risks.

Roles and Responsibilities - Chairperson of the Board:

- 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.
- 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 authority.
- Manage day-to-day operations and manage the Company’s resources.
- Actively participate in building and developing an ethical culture inside the company.
- Develop internal control and risk management systems and verify their adequacy and efficiency.

2.2 Board of Directors’ Achievements During the Year

The Board of Directors achieved the following strategic objectives:

- Increase of operational revenues.
- Reduction of operational cost.
- Increase of net profit and achievement of the targeted growth rates.
- Increase in share market value.
- The addition of a wider range of real estate activities to the Company’s articles, enhancing current activities and supporting future growth.
- Developing an integrated Corporate Governance Framework and implementation of all policies and procedures.

2.3 Overview of the Board of Directors’ Requirements to Form Specialized Independent Committees

Pursuant to the provisions and rules of Book 15 of the Executive Bylaws of the CMA Corporate Governance Regulations, the Board of Directors succeeded in the formation of the relevant

Committees 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
Tarek Al Mousa	Chairperson of the Board Risk and Audit Committee (BRAC)	Non-Executive Member
Majed Al Ajeel	Member of the Board Risk and Audit Committee (BRAC)	Non-Executive Member
Zuhair Al Zamel	Member of the Board Risk and Audit Committee (BRAC)	Independent / Non-Executive Member

The Board Risk and Audit Committee (BRAC) was formed pursuant to a Board Resolution executed on 28 June 2016, following the approval from the CMA to merge the Board Risk Committee and the Board Audit Committee.

The BRAC performs tasks and responsibilities

covering aspects of risk management and internal audit controls of the Company. The BRAC term is valid for three years from its initial formation and shall be renewable upon the expiry of members' terms.

Meetings of the Board Risk and Audit Committee (BRAC) during 2016

Name and capacity	Meeting No. 01/2016 Held on 02 August 2016	Meeting No. 02/2016 Held on 10 November 2016	Meeting No. 03/2016 Held on 29 December 2016	No. of Meetings
Tarek Al Mousa (Non – Executive) Chairperson of the Board Risk and Audit Committee (BRAC)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
Majed Al Ajeel (Non – Executive) Member of the Board Risk and Audit Committee (BRAC)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
Zuhair Al Zamel (Independent) Member of the Board Risk and Audit Committee (BRAC)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3

Attendance Absence

Ms. Lamis Youssef was appointed as Secretary of the Committee.

BRAC held three meetings during the course of 2016, in line with the four minimum required number of meetings per year (based on the implementation of the framework in June 2016). All Committee meetings are called at least five days in advance by way of a formal invitation extended by the Committee Chairperson. 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. The Board 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):

- Prepare and review risk management strategies, policies and procedures and provide recommendations to the Board prior to its final

approval. 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.
- Ensure that risk management employees obtain a full understanding of the risks surrounding the Company and ensure transparency in the awareness of potential risks.
- 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 external auditors. They ensure their independence and confirm their services to the Company are confined to providing audit services only.

Roles and Responsibilities – BRAC (continued):

- Evaluate the efficiency of the Company’s internal control systems and the preparation of the Audit Committee Report.
- 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.

Overview of the Achievements of the Board Risk and Audit Committee (BRAC):

- Assigning an independent unit to manage risks and prepare necessary reports.
- Reviewing annual and interim financial statements prior to submission to the Board of Directors and providing recommendations.
- Ensuring that external auditors of the Company are independent and confirm their services to the Company are confined to providing audit services only.

B) Board Nomination and Remuneration Committee (BNRC) Members of the BNRC

Name	Capacity	Board Member Classification
Zuhair Al Zamel	Chairperson of the Board Nomination and Remuneration Committee (BNRC)	Independent / Non-Executive 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. Members of the BNRC carry out the responsibilities of the Committee assigned to them as per Book 15 of the Executive Bylaws of

the CMA Corporate Governance Regulations. The BNRC term is valid for three years from its initial formation and shall be renewable upon the expiry of members’ terms.

Meetings of the BNRC during 2016

Name and capacity	Meeting No. 03/2016 Held on 29 December 2016	No. of Meetings
Zuhair Al Zamel Chairperson of the Board Nomination and Remuneration Committee (BNRC)	<input checked="" type="checkbox"/>	1
Tarek Al Mousa Member of the Board Nomination and Remuneration Committee (BNRC) Non-Executive Member	<input checked="" type="checkbox"/>	1
Nadia Akil Member of the Board Nomination and Remuneration Committee (BNRC) Executive Member	<input checked="" type="checkbox"/>	1

Attendance Absence

Ms. Lamis Youssef was appointed as Secretary of the Committee.

The BNRC held one meeting during the course of 2016 in line with the minimum required meetings per year. All Committee meetings are called at least five days in advance by way of a formal invitation extended by the Committee Chairperson. 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. The Board Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement.

Responsibilities of the BNRC:

- Recommend the nomination or re-nomination of Board Members and of Executive Management.
- Develop a clear remuneration policy for Board Members and Executive Management.

- Develop clear job descriptions for Executive Members, Non-Executive Members and the Independent Member.
- Prepare a detailed Annual Report outlining the benefits for Board Members and Executive Management.

Achievements of Nominations and Remunerations Committee during the course of 2016:

- Completion of the Committee's formation and the appointment of its members, as well as the Independent Member as a Chairperson of the Committee and the appointment of the Committee Secretary.

2.4 Overview of the Methodology which Provides Members of the Board of Directors with Accurate and Timely Information and Data

The Company is committed to ensuring 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 Overview of the Application of Requirements for the Formation of the Board Nomination and Remuneration Committee (BNRC)

In addition to the above responsibilities, the Board of Directors approved the Committee Charter which outlines the roles and responsibilities of the

Committee in line with Book 15 of the Executive Bylaws of the CMA Corporate Governance Regulations.

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 ultimately recommended by the BNRC and presented for final approval to the Company's Annual General Assembly (AGM). In line with Corporate Governance Regulations, total remunerations shall not exceed 10% of the net profits of the company following any relevant deductions as set out in the Company's Articles of Association. In 2016, the total remuneration recommended to be awarded to

the Board of Directors amounted to a sum of KD 25,000 and is thus subject to final approval of the Company's AGM.

Executive Management Remuneration:

Remuneration granted to Executive Management includes two main components – fixed and variable remuneration. Fixed benefits are related to those benefits assigned to Executive Management 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.

The below table sets out the total fixed and variable benefits extended to Executive Management in 2016.

Classification	No of employees	Fixed remuneration (KD thousand)	Variable remuneration (KD thousand)	Total (KD thousand)
Members of Executive Management	6	235	137	372

PILLAR 4: ENSURE THE INTEGRITY OF FINANCIAL REPORTING

4.1 Written Undertakings of the Board of Directors and Executive Management as to the 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. 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 aims to ensure the integrity of its financial

reporting to shareholders – thus presenting its Annual Report at the end of the fiscal year.

The financial statements and reports issued by the Company are prepared as follows:

- Annual Financial Statements.
- Interim Financial Statements.
- Forms of Disclosure of Annual and Interim Profits of the Company.
- Annual Reports.

4.2 Overview of the Board Audit Committee

Members of the Audit Committee have been selected to ensure they hold the relevant experience and capabilities to perform their allocated tasks effectively and responsibly. Furthermore, the Board of Directors approved the Committee Charter,

which includes an overview of the specific tasks and responsibilities of the Committee, and as per applicable provisions of Book 15 of the Executive Bylaws of the CMA Corporate Governance Regulations.

4.3 Overview of the 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 2016, 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. Furthermore, 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 Overview of the Board Risk Management Committee

In addition to the above responsibilities, the Board of Directors has formally approved the Board Risk Committee Charter, which outlines clearly the roles and responsibilities of the Committee in

line with applicable provisions of Book 15 of the Executive Bylaws of the CMA Corporate Governance Regulations.

5.3 Overview of the 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:

1. Delegation of authorities – limitation and allocation of certain powers and responsibilities.
2. Separation of certain tasks and the prevention of potential conflicts of interest.
3. Dual inspection and controls for further verifications.

4. Dual signatures for further verifications.
5. Establishment of approved policies and procedures for the Company.
6. Implementation of modern automated technological systems for the enhancement of internal controls within the Company (E-forms).

In addition, and as per Corporate Governance Requirements, a fully certified and independent auditor (Deloitte and Touche) was appointed to carry out the evaluation and review of the Company's Internal Control Systems and for the preparation of the Internal Control Report (ICR), which is to be submitted to the CMA on an annual basis. Pursuant to Article 6-9 of Book 15 of the Executive Bylaws of the CMA Corporate Governance Regulations, the Company will appoint a different auditor every three (3) years in order to conduct the review and evaluation of the Internal Audit Function.

5.4 Overview of the Independent Unit for Internal Audit and Controls

On the 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 Overview of the 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 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 shall abide by the Code of Conduct, and apply the highest of ethical standards during the performance of their duties and responsibilities.

6.2 Overview of the Policies Used to Mitigate Conflicts of Interest

The Board of Directors of the Company adopted a conflict of interest policy aimed at ensuring that appropriate procedures are applied to identify and deal effectively with cases of conflict of interest. It also ensures that the Board of Directors deals with conflicts of interest that exist and are reasonably possible 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, 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. The policy also reviewed procedures for dealing with conflicts of interest and disclosure mechanisms.

PILLAR 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURES

7.1 Overview of Accurate and Transparent Disclosures

The Board of Directors is mindful of the fact that 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 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 and shall be reviewed regularly in line with the best practices and latest CMA disclosure rules.

7.2 Overview of 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 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 Summary of Requirements for the 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 to Support the Disclosure Process

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 Summary of the Requirements for the Protection of Shareholders' Rights and to Ensuring Fairness and Equality Amongst All Shareholders

The Company's Articles of Association include various regulations and internal policies and procedures necessary for the protection of shareholders rights, and to ensure their fair and equal treatment. Furthermore, this article takes into consideration all shareholders' rights without any partiality and without causing damage to the overall interests of the company, thus falling in line with applicable laws and regulatory instructions.

8.2 Summary of the Formation of a Special Register to be Maintained with the Clearing Agency and in line with the Requirements for Continuous Updates to 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 as well as

details of the number of their 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 Overview of Shareholders' Incentives to Participate and Vote in the Company's General Assemblies

Participation in the 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 Overview of the Systems and Policies Used to Ensure the Protection and Recognition of Stakeholders' Rights

The Company developed more than one policy 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 Overview of the 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 Implement Policies that Allow Board Members and Executive Members to Obtain 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 2016:

- Organizational Risk Management
- Antitrust
- Foreign Corrupt Practices Act
- Code of Ethics

10.2 Overview of the Evaluation of Board Members and Executive Management Against a Set of Agreed Performance Indicators

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 Overview on the Board of Directors' Effort Towards "Value Creation" for Employees Within the Company Through Fulfillment of Strategic Objectives and Performance Improvement

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. Furthermore, the Company has implemented integrated reporting systems at all departmental levels in order to share relevant and updated company information with the Members of the Board and Executive Management, thereby supporting and encouraging accurate decision making.

PILLAR 11: IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

11.1 Overview of Development of a Policy Ensuring a 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 Overview of the Mechanisms used to Highlight 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.

Auditors' Report

INDEPENDENT AUDITORS' 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 2016, and the 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 2016, 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 7 to the consolidated financial statements, which describes the uncertainty relating to the management's ability to renew a Build- Operate-Transfer ("BOT") contract that may have an impact on a portion of the Group's operations in the future relating to this 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. 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 key audit matter identified below, our description of how our audit addressed the matter is provided in that context.

a) Impairment of intangible assets

The Group has intangible assets consisting of Build-Operate-Transfer ("BOT") contracts with the Government of the State of Kuwait for the construction and operation of airport terminals and car parks. The significant portion of Group's operations are arising from these limited period BOT contracts. The management has assessed, in accordance with the requirements of IAS 38 and IAS 36, whether there are any significant external adverse changes including market, economic, technological or legal environment factors in which the Group operates

Key Audit Matters (continued)

or internal observable factors including failure to meet budgeted and forecasted earnings in the current and prior years; that may trigger indicators of impairment that will either impact the carrying value or the remaining useful life. Due to the significance of these intangible assets and its amortisation expense to the consolidated financial statements as a whole and the assumptions used by the management in assessing whether there are any indicators of impairment, we have identified BOT intangible assets as a key audit matter. The accounting policies relating to intangible assets and the judgments and assumptions used by the management in assessing the indicators of impairment are given in Note 3 to the consolidated financial statements.

Our audit procedures included, among others, evaluation of management's assessment of indicators of impairment as at the reporting date. As noted above, the key input measures adopted by the management in assessing whether there are any indicators of impairment of intangible assets included market related data such as the local economic factors, technological or legal environment specifically to the State of Kuwait and also certain internal information relating to the cash flows generated by these BOT contracts. We have evaluated the appropriateness of these input measures by analysing the financial information of the Group, publicly available economic data, legal documentation of these BOT contracts etc. We have also assessed the appropriateness of disclosures relating to intangible assets in Note 7 of the consolidated financial statements.

b) Classification and impairment of a financing arrangement

The Group has started financing as one of the 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 impairment of amounts due from the related party, the management evaluates these terms on each reporting period. These terms also include a conversion feature into equity of the project on meeting certain operational targets. The management assessed the project status to evaluate the recoverability of the carrying amount that is due from the related party as at the reporting date including the macroeconomic factors in UAE, the business plan of the Project etc. Given the significance of the Project and the complexity of this transaction, we have identified the classification and impairment of the financing arrangement as a key audit matter.

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. We have also evaluated the appropriateness of management's assessment in identifying impairment indicators as at the reporting date of the consolidated financial statements. The disclosures relating to the loan to a related party are given in Note 14 of the consolidated financial statements.

Other information included in the Group's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 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.

Auditors' 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 auditors' 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:

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

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

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

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

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 financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations 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 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016, that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI

Licence No. 68 A
EY
Al-Aiban, Al-Osaimi & Partners

12 March 2017, Kuwait



DR. SAUD HAMAD AL-HUMAIDI

License No. 51 A
Of Dr. Saud Hamad Al-Humaidi & Partners
Member of Baker Tilly International

Financial Statements

Annual Report 2016

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
ASSETS			
Non-current assets			
Property and equipment		280,837	219,809
Intangible assets	7	12,071,794	14,427,076
Financial assets available for sale	8	2,749,198	4,699,198
Loan to a related party	14	20,339,286	9,486,326
		<u>35,441,115</u>	<u>28,832,409</u>
Current assets			
Accounts receivable and other assets	9	2,701,546	2,019,116
Cash and cash equivalents	10	5,307,034	9,267,106
		<u>8,008,580</u>	<u>11,286,222</u>
TOTAL ASSETS		<u>43,449,695</u>	<u>40,118,631</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11 (a)	8,250,000	8,250,000
Share premium	11 (b)	10,500,000	10,500,000
Statutory reserve	11 (c)	4,125,000	4,125,000
Treasury shares	12	(1,544,594)	(1,544,594)
Other reserve		(260,978)	(260,978)
Retained earnings		8,460,915	6,770,832
Equity attributable to equity holders of the Parent Company		<u>29,530,343</u>	<u>27,840,260</u>
Non-controlling interests	4	2,460,240	2,484,440
Total equity		<u>31,990,583</u>	<u>30,324,700</u>
Non-current liabilities			
Accounts payable and other liabilities	13	3,484,154	2,037,557
Employees' end of service benefits		304,561	235,450
		<u>3,788,715</u>	<u>2,273,007</u>
Current liability			
Accounts payable and other liabilities	13	7,670,397	7,520,924
Total liabilities		<u>11,459,112</u>	<u>9,793,931</u>
TOTAL EQUITY AND LIABILITIES		<u>43,449,695</u>	<u>40,118,631</u>



Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Revenues		13,221,512	12,751,574
Operating costs		(1,190,747)	(1,220,728)
GROSS PROFIT		<u>12,030,765</u>	<u>11,530,846</u>
General and administrative expenses		(1,588,504)	(1,285,230)
Salaries and employee benefits		(1,040,845)	(998,322)
Other income	5	<u>391,528</u>	<u>77,115</u>
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		9,792,944	9,324,409
Depreciation		(52,500)	(49,779)
Amortisation	7	<u>(2,355,282)</u>	<u>(2,781,369)</u>
Profit before interest and taxation ("EBIT")		7,385,162	6,493,261
Interest income		<u>1,469,291</u>	<u>632,529</u>
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		8,854,453	7,125,790
Contribution to KFAS		(88,787)	(70,841)
NLST		(229,401)	(178,885)
Zakat		(92,662)	(71,554)
Directors' remuneration	17	<u>(25,000)</u>	<u>(25,000)</u>
PROFIT FOR THE YEAR		<u>8,418,603</u>	<u>6,779,510</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,418,603</u>	<u>6,779,510</u>
Attributable to:			
Equity holders of the Parent Company		8,442,803	6,752,337
Non-controlling interests	4	<u>(24,200)</u>	<u>27,173</u>
		<u>8,418,603</u>	<u>6,779,510</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	6	<u>107.52 fils</u>	<u>86.00 fils</u>

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United Projects Company For Aviation Services K.S.C.P and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration		8,854,453	7,125,790
Adjustments for:			
Depreciation and amortisation		2,407,782	2,831,148
Provision for employees' end of service benefits		79,378	91,643
Interest income		(1,469,291)	(632,529)
Provision for doubtful debt	9	226,560	6,766
Foreign currency gain	5	(222,881)	-
		<u>9,876,001</u>	<u>9,422,818</u>
Working capital changes:			
Accounts receivable and other assets		(908,990)	86,965
Accounts payable and other liabilities		1,160,220	1,569,751
Cash flows from operations		<u>10,127,231</u>	<u>11,079,534</u>
Employees' end of service benefits paid		<u>(10,267)</u>	<u>(108,481)</u>
Net cash flows from operating activities		<u>10,116,964</u>	<u>10,971,053</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(113,528)	(71,036)
Additions to intangible assets	7	-	(94,564)
Purchase of financial assets available for sale		-	(1,449,198)
Proceeds from maturity of financial assets available for sale		1,950,000	-
Loan to a related party		(9,298,477)	(8,056,022)
Interest income received		137,689	257,700
Net cash flows used in investing activities		<u>(7,324,316)</u>	<u>(9,413,120)</u>
FINANCING ACTIVITY			
Dividend paid	17	<u>(6,752,720)</u>	<u>(5,653,440)</u>
Cash flows used in financing activity		<u>(6,752,720)</u>	<u>(5,653,440)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(3,960,072)</u>	<u>(4,095,507)</u>
Cash and cash equivalents as at 1 January		<u>9,267,106</u>	<u>13,362,613</u>
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	10	<u><u>5,307,034</u></u>	<u><u>9,267,106</u></u>

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Attributable to equity holders of the Parent Company

	Share capital	Share premium	Statutory reserve	Treasury shares	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2016	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	6,770,832	27,840,260	2,484,440	30,324,700
Total comprehensive income for the year	-	-	-	-	-	8,442,803	8,442,803	(24,200)	8,418,603
Dividends (Note 17)	-	-	-	-	-	(6,752,720)	(6,752,720)	-	(6,752,720)
As at 31 December 2016	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	8,460,915	29,530,343	2,460,240	31,990,583
As at 1 January 2015	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	5,671,935	26,741,363	2,457,267	29,198,630
Total comprehensive income for the year	-	-	-	-	-	6,752,337	6,752,337	27,173	6,779,510
Dividends (Note 17)	-	-	-	-	-	(5,653,440)	(5,653,440)	-	(5,653,440)
As at 31 December 2015	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	6,770,832	27,840,260	2,484,440	30,324,700

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 ACTIVITIES AND CORPORATE INFORMATION

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 which is listed on the Kuwait Stock Exchange. 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; and
- 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.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 were authorised for issue by the board of directors on 12 March 2017 and are subject to the approval of the AGM of the shareholders of the Parent Company. The AGM of the shareholders has the power to amend these consolidated financial statements after issuance. The Parent Company is a subsidiary of Agility Public Warehousing Company K.S.C.P (the "Ultimate Parent Company"), which is listed on the Kuwait Stock Exchange.

The new companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

2.1 BASIS OF PREPARATION

Statement of compliance

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").

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Kuwaiti Dinars ("KD") being the functional currency of the Parent Company.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The Group re-assesses at each reporting date 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 other comprehensive income are attributed to the equity holders of the parent of the Group 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 into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Principal activity	Effective Ownership %	
			2016	2015
Royal Aviation Company K.S.C. (Closed) ["RAC"]	Kuwait	Management and services	66.57	66.57
United National For Aviation Services Company W.L.L. ["UNASC"]	Kuwait	Management and services	51.00	51.00
Al Arfaj Real Estate Company K.S.C. (Closed) ["Arfaj"]	Kuwait	Real estate and property development	100.00	100.00

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the amendments to IFRS effective as of 1 January 2016 which did not have any impact on the financial position or performance of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, plant and equipment and IAS 38 Intangible assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

prospectively and do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement of consolidated comprehensive income and the consolidated statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the consolidated statement of comprehensive income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of comprehensive income. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income from operating leases, less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over lease term, except for contingent rental income which is recognised when it arises.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of comprehensive income when they arise.

Services income

Revenue from aviation services such as aircraft ground handling and real estate activities such as security, cleaning and maintenance works are recognised when the related services are rendered.

Interest income

Interest income is recognised as interest 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.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses. When property and equipment are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of comprehensive income.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Office building	10 years
Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Vehicles	3 to 5 years
Tools and equipment	3 to 5 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

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

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

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
Discovery Mall*	10 years
Sheikh Saa'd Terminal	16 years

*Fully amortised as at 31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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 comprehensive 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 comprehensive income when the asset is derecognised.

Financial instruments

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or financial assets available for sale, or as derivatives designated as a hedging instrument in an effective hedge as appropriate. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include financial assets available for sale, loan to a related party, receivables and cash and cash equivalents. As at 31 December 2016, the Group has neither held to maturity investments nor financial assets at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets available for sale

Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of comprehensive income or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of comprehensive income. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate method.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Subsequent measurement (continued)

impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of comprehensive income. The losses for loans and receivables arising from impairment are recognised in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash in hand and at banks, cash held by a portfolio manager and time deposits with an original maturity of up to three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and bank balances as defined above.

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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets available for sale (continued)

profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually an impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded in the consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings and payables, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All 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 accounts payable and other liabilities. As at 31 December 2016, the Group did not have any financial liabilities 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

For the year ended 31 December 2016

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Accounts payable

Liabilities are recognised for amounts the Group is obligated to pay in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 to by the Group.

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

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

The Group uses valuation techniques that are appropriate in circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the consolidated financial statements 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive 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 comprehensive income.

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 comprehensive 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 comprehensive 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

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares (continued)

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

With respect to its national employees, the Group makes contributions to 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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of comprehensive income is also recognised in other comprehensive income or consolidated statement of comprehensive income, respectively).

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.

3.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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 disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Impairment of financial assets available for sale

The Group treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires considerable judgment.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as financial assets at fair value through profit or loss or financial assets available for sale.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant

3.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions (continued)

risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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.

Impairment of receivables

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

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements is disclosed below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date. The Group is in the process of evaluating the impact of IFRS 15 on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account

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3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 16 Leases (continued)

for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. The Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

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 %	
			2016	2015
Royal Aviation Company K.S.C. (Closed) [“RAC”]	Kuwait	Management and services	33.43	33.43

4 GROUP INFORMATION (CONTINUED)

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

	RAC 2016 KD	RAC 2015 KD
Summarized statement of comprehensive income statement:		
Revenues	1,848,351	2,050,258
Operating costs	(691,098)	(768,160)
Net operating expenses	(467,545)	(364,319)
Other income	58,247	-
EBITDA	747,955	917,779
Depreciation and amortization	(820,345)	(815,192)
EBIT	(72,390)	102,587
Finance cost	-	(21,304)
(Loss) profit for the year	(72,390)	81,283
(Loss) profit allocated to non-controlling interests	(24,200)	27,173

Summarised statement of financial position as at 31 December:

	RAC 2016 KD	RAC 2015 KD
Non-current assets	5,942,394	6,736,893
Current assets	1,298,993	783,968
Non-current liabilities	(30,355)	(29,591)
Current liabilities	(949,944)	(1,158,692)
Total equity	6,261,088	6,332,578
Accumulated balances of non-controlling interests:	2,093,082	2,116,981

Summarised cash flow information for year ended 31 December:

	RAC 2016 KD	RAC 2015 KD
Operating cash flows	500,613	110,659
Investing cash flows	(25,846)	(58,163)
Financing cash flows	-	(21,431)
Net increase in bank balances and cash	474,767	31,065

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5 OTHER INCOME

	2016 KD	2015 KD
Foreign currency gain	222,881	-
Miscellaneous income	110,548	35,615
Other service income	58,099	41,500
	<u>391,528</u>	<u>77,115</u>

Miscellaneous income mainly comprises income earned from advertisement space rented, and other services rendered to tenants.

Other service income for this year mainly comprises income earned by charging management fees to a related party.

6 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:

	2016 KD	2015 KD
Profit for the year attributable to equity holders of the Parent Company	<u>8,442,803</u>	<u>6,752,337</u>
Weighted average number of paid up shares	82,500,000	82,500,000
Weighted average number of treasury shares	<u>(3,980,000)</u>	<u>(3,980,000)</u>
Weighted average number of shares, less treasury shares, outstanding during the year	<u>78,520,000</u>	<u>78,520,000</u>
Basic and diluted earnings per share	<u>107.52 fils</u>	<u>86.00 fils</u>

7 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 in accordance with the Built-Own-Transfer (BOT) agreement with the government of Kuwait and have useful life and amortised as disclosed in Note 3.

	2016 KD	2015 KD
Cost:		
As at 1 January	41,582,488	41,487,924
Additions	-	94,564
As at 31 December	<u>41,582,488</u>	<u>41,582,488</u>
Amortisation:		
As at 1 January	27,155,412	24,374,043
Charge for the year	2,355,282	2,781,369
As at 31 December	<u>29,510,694</u>	<u>27,155,412</u>
Net carrying amount:		
As at 31 December	<u>12,071,794</u>	<u>14,427,076</u>

Included in intangible assets is a fully amortised intangible asset as at 31 December 2016 (2015: KD 479,563) that represents Built-Own-Transfer (BOT) project for the construction of Discovery Mall (the "Mall"). This Mall was built on a leasehold land from the government of the State of Kuwait for 10 years which was then extended by seven months to 28 January 2014. The management believes that the agreement will be extended for an additional 4 years and the delay in the extension of the agreement is due to the completion of certain legal and administrative formalities.

Included in intangible assets is an amount of KD 5,804,805 (2015: KD 6,600,704) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire in 2024. Since September 2013, The Civil Aviation Authority permitted Flydubai, one of the carriers to operate from the terminal. As a result of this, the management is confident that the carrying amount of the terminal is fully recoverable and no impairment is considered necessary.

Included in intangible assets is an amount of KD 6,266,989 (2015: KD 7,346,809) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire in 2023. The management is confident that the carrying amount of the intangible asset is fully recoverable and no impairment is considered necessary.

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8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2016 KD	2015 KD
Unquoted equity securities	1,449,198	1,449,198
Managed portfolios (local bonds)	1,300,000	3,250,000
	<u>2,749,198</u>	<u>4,699,198</u>

Unquoted equity securities and unquoted debt securities in managed portfolios amounting to KD 2,749,198 (2015: KD 4,699,198) are carried at cost less impairment. Management has performed a review to assess whether impairment has occurred in these investments. The management is confident that the carrying amount of the financial assets available for sale is fully recoverable and no impairment is considered necessary.

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2016 KD	2015 KD
Rent receivables	920,894	884,739
Other receivables	1,398,365	704,632
Prepayments	301,635	276,792
Advance to suppliers	340,000	183,908
Other assets	111,440	113,273
	<u>3,072,334</u>	<u>2,163,344</u>
Less:		
Provision against impairment of receivables	<u>(370,788)</u>	<u>(144,228)</u>
	<u>2,701,546</u>	<u>2,019,116</u>

Movements in the provision against impairment of rent receivables is as follows:

	2016 KD	2015 KD
As at the beginning of the year	144,228	137,462
Charge for the year	226,560	6,766
As at the end of the year	<u>370,788</u>	<u>144,228</u>

As at 31 December, the ageing of unimpaired rent and other receivables is as follows:

	Total KD	<i>Past due but not impaired</i>				
		Neither past due nor impaired KD	1 - 30 days KD	31 - 60 days KD	61 - 90 days KD	Over 90 days KD
2016	<u>1,948,471</u>	<u>-</u>	<u>217,678</u>	<u>144,307</u>	<u>141,671</u>	<u>1,444,815</u>
2015	<u>1,445,143</u>	<u>2,690</u>	<u>237,902</u>	<u>199,159</u>	<u>112,006</u>	<u>893,386</u>

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following consolidated statement of financial position amounts:

	2016 KD	2015 KD
Cash and bank balances	1,877,804	823,023
Short term deposits	3,429,230	8,444,083
Cash and cash equivalents	<u>5,307,034</u>	<u>9,267,106</u>

Short term deposits are denominated in KD and carry an effective interest rate range between 1% to 1.375 % (2015: 1% to 1.750%) per annum with maturity less than three months from reporting date.

11 SHARE CAPITAL AND RESERVES

a) Share capital

On 29 September 2016, the Extraordinary General Meeting ("EGM") has approved the increase of the authorised capital of the Parent Company. The amendment to the Memorandum of Incorporation and Articles of Association of the Parent Company as well as the commercial license was completed thereafter on 20 November 2016. As at 31 December 2016, the Parent Company's authorised capital is 382,500,000 shares of 100 fils each (2015: 82,500,000 shares of 100 fils each) out of which 82,500,000 shares of 100 fils each (2015: 82,500,000 shares of 100 fils each) are fully issued and paid in cash.

b) Share premium

The share premium is not available for distribution.

c) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, the Parent Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital.

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

d) Voluntary reserve

According to the Parent Company's Articles of Association, 10% of the profit for the year before Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration shall be transferred to the voluntary reserve. In 2013, the board of directors resolved to discontinue the transfer to voluntary reserve.

12 TREASURY SHARES

	2016	2015
Number of treasury shares	<u>3,980,000</u>	<u>3,980,000</u>
Percentage of issued shares (%)	<u>5%</u>	<u>5%</u>
Market value (KD)	<u>2,666,600</u>	<u>2,587,000</u>

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

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13 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2016 KD	2015 KD
Accounts payable	1,552,446	1,741,389
Accrued expenses	569,903	470,087
Rent received in advance*	6,426,617	4,805,476
Provision for staff leave	100,365	113,343
Tenant deposits	2,287,278	2,227,898
Other payables	217,942	200,288
	<u>11,154,551</u>	<u>9,558,481</u>
Classified as:	2016 KD	2015 KD
Current liability	7,670,397	7,520,924
Non-current liability	3,484,154	2,037,557
	<u>11,154,551</u>	<u>9,558,481</u>

* This amount includes a non-current portion for rent received in advance beyond 12 months of the reporting period amounting to KD 3,484,154 (2015: KD 2,037,557) which represents rent received in advance by the Group from tenants in accordance with a rental agreements. To reflect non-current portion of advance rent, prior year amount related to accounts payable and other liabilities has been reclassified to conform to current year's presentation. This reclassification does not have any effect on the reported profit or equity.

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.

14 RELATED PARTY TRANSACTIONS

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.

14 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances and with related parties are as follows:

		Other related parties KD	2016 KD	2015 KD
<i>Consolidated statement of comprehensive income :</i>				
Revenues		-	-	22,259
Operating costs		(127,033)	(127,033)	(291,712)
General and administrative expenses		(42,689)	(42,689)	(63,219)
Other income		58,099	58,099	-
Interest income		1,331,601	1,331,601	374,829
	Ultimate parent company	Other related parties KD	2016 KD	2015 KD
<i>Consolidated statement of financial position:</i>				
Amounts due from a related party	-	10,081	10,081	49,538
Amounts due to related parties	99,550	49,459	149,009	361,603
Loan to a related party	-	20,339,286	20,339,286	9,486,326
Financial assets available for sale	-	1,449,198	1,449,198	1,449,198

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

Loan to a related party represents amounts advanced by a subsidiary of the Group towards the construction and development of a commercial mall in UAE ("Project"). This amount bears interest of 8.5% (2015: 8.5%) per annum 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 1,449,198 (2015: 1,449,198) in the equity of the Project out of the Group's capital commitment in respect of uncalled capital in financial assets available for sale amounting to KD 5,334,210 as at the reporting date (31 December 2015: KD 5,112,720).

Furthermore, the Parent Company has provided bank guarantee of KD 2,148,482 (2015: KD 2,129,423) and corporate guarantee of AED 202 million (KD equivalent to 16.83 million) [2015: AED 202 million (KD equivalent to 16.2 million)] to banks on behalf of a related party related to the Project.

Compensation of key management personnel

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

	2016 KD	2015 KD
Short-term benefits	150,892	145,692
Employees' end of service benefits	7,655	5,050
	<u>158,547</u>	<u>150,742</u>

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15 COMMITMENTS

The Sheikh Saad Terminal, Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 7) are constructed on a leased land for which an annual lease payment of KD 782,203 (2015: KD 690,888) has been made. The lease payments for the future periods are as follows:

	2016 KD	2015 KD
Within one year	782,203	690,888
After one year but no later than five years	2,840,812	2,475,552
Later than 5 years	955,406	1,391,664
	<u>4,578,421</u>	<u>4,558,104</u>

The Group has capital commitments in respect of uncalled capital in financial assets available for sale to the Project (Note 14) amounting to AED 64,000,000 (2015: AED 64,000,000) equivalent to KD 5,334,210 (2015: KD 5,112,720).

16 CONTINGENCIES

As at 31 December 2016, the Group had contingent liabilities, amounting to KD 2,539,072 (2015: KD 2,419,113), in respect of bank guarantees arising in the ordinary course of business and corporate guarantee of AED 202 million (equivalent to KD 16.83 million) [2015: AED 202 million (equivalent to KD 16.2 million)] from which it is anticipated that no material liabilities will arise (Note 14).

17 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The Board of Directors of the Parent Company has proposed to issue bonus shares of 17,500,000 shares of 100 fils each (2015: Nil) amounting to KD 1,750,000 (2015: Nil) in respect of the year ended 31 December 2016, subject to approval of shareholders' AGM, the bonus shares shall be distributed to the shareholders registered in the Parent Company's records as of the date of the shareholders' AGM meeting.

At the Board of Directors meeting held on 12 March 2017, the directors recommended distribution of cash dividend of Nil (2015: 86 fils) per share for the year ended 31 December 2016 and Board of Directors' remuneration of KD 25,000 (2015: KD 25,000). The proposed dividend, if approved, shall be payable to the shareholders registered in the Parent Company's records as of the date of the general assembly meeting.

Board of Directors' remuneration is within the amount permissible under local regulations and is subject to approval by the AGM of the shareholders of the Parent Company.

Dividends in respect of the year ended 31 December 2015 amounting to KD 6,752,720 (2015: for the year ended 31 December 2014: KD 5,653,440) were paid subsequent to the approval by the Parent Company's general assembly of the shareholders on 27 April 2016.

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 surplus funds in investment portfolios. ii) Service operations: consists of managing projects and providing airplane ground and cleaning services and other service facilities.

18 SEGMENTAL INFORMATION (CONTINUED)

	Investments		Services operations		Total	
	2016 KD	2015 KD	2016 KD	2015 KD	2016 KD	2015 KD
Segment revenues	<u>1,692,172</u>	<u>632,529</u>	<u>13,390,159</u>	<u>12,828,689</u>	<u>15,082,331</u>	<u>13,461,218</u>
Segment profit	<u>1,692,172</u>	<u>632,529</u>	<u>7,162,281</u>	<u>6,493,261</u>	<u>8,854,453</u>	<u>7,125,790</u>
Unallocated expenses					<u>(435,850)</u>	<u>(346,280)</u>
Profit for the year					<u>8,418,603</u>	<u>6,779,510</u>
Depreciation and amortisation	<u>-</u>	<u>-</u>	<u>2,407,782</u>	<u>2,831,148</u>	<u>2,407,782</u>	<u>2,831,148</u>
Assets	<u>26,517,714</u>	<u>23,452,630</u>	<u>16,931,981</u>	<u>16,666,001</u>	<u>43,449,695</u>	<u>40,118,631</u>
Liabilities	<u>-</u>	<u>-</u>	<u>11,459,112</u>	<u>9,793,931</u>	<u>11,459,112</u>	<u>9,793,931</u>
Other disclosures:						
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,564</u>	<u>-</u>	<u>94,564</u>

Capital expenditure represents additions to intangible assets. All operations of the Group are within the state of Kuwait.

19 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, market risk and operational risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk.

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 on its cash and cash equivalent, receivables, loan to related party and local bonds.

The Group limits its credit risk with respect to customers/tenants by setting credit limits for individual customers/tenants, monitoring outstanding receivables, holding rent deposits and limiting transactions with specific counterparties. Other than the amount due from tenants which was substantially received subsequent to the year end, there is no significant concentration of credit risk within the Group. Investments are made only with approved counterparties to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group limits its credit risk with regard to bank balances and short term deposits by dealing with reputable banks.

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19 RISK MANAGEMENT (CONTINUED)

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

	2016 KD	2015 KD
Cash and cash equivalents	5,307,034	9,267,106
Accounts receivable and other assets*	1,948,471	1,445,143
Loan to a related party	20,339,286	9,486,326
Managed portfolio (local bonds)	1,300,000	3,250,000
	<u>28,894,791</u>	<u>23,448,575</u>

*Accounts receivable and other assets exclude prepayments, advance to suppliers and inventory.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The Group limits its liquidity risk by the maturity profile of financial liabilities ensuring facilities from banks and related parties are available to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payment obligations:

	On demand KD	Within 3 months KD	3 – 12 months KD	Total KD
2016				
Accounts payable and other liabilities*	<u>149,009</u>	<u>2,261,662</u>	<u>2,317,263</u>	<u>4,727,934</u>
2015				
Accounts payable and other liabilities*	<u>361,603</u>	<u>1,849,873</u>	<u>2,541,529</u>	<u>4,753,005</u>

*Account payables and other liabilities exclude rent received in advance.

Market risk

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group has no significant exposure to interest bearing assets or liabilities as at 31 December 2016.

Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk is managed on the basis of

19 RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

limits determined by management and a continuous assessment of current and expected exchange rate movements. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to loan to a related party denominated in UAE Dirhams.

The following table demonstrates the sensitivity to a reasonably possible change in the AED exchange rate against the KD, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency for all other currencies is not material.

	Change in currency rate in %	2016 KD	2015 KD
Currency		Profit/ (loss) before tax	Profit/ (loss) before tax
	+5	1,016,952	67,858
UAE Dirhams	-5	(1,016,952)	(67,858)

Equity price risk

The Group has unquoted debt and equity securities which are carried at the cost of KD 2,749,198 (2015: KD 4,669,198) where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of comprehensive income will be impacted.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

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 maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises equity attributable to the Parent Company, excluding statutory reserve and measured at KD 25,405,343 as at 31 December 2016 (2015: KD 23,715,260).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value measurement

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, accounts receivables and other assets, cash and cash equivalents and loan to a related party. Financial liabilities consist of accounts payables and other liabilities excluding rent received in advance. The management assesses that the fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 8), and the loan to a related party whose fair value is higher than the carrying value due to the contractual interest rate that is above the prevailing market rate, are not materially different from their carrying values.

United Projects Company For Aviation Services K.S.C.P and Subsidiaries

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22 SUBSEQUENT EVENTS

On 12 February 2017, the Extraordinary General Meeting (“EGM”) has approved the amendments to the Parent Company’s objectives in its memorandum of incorporation and commercial license. The amendment to the Memorandum of Incorporation of the Parent Company as well as the commercial license was completed thereafter on 1 March 2017. The additional objectives added to the Parent Company are:

- 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.



